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: HK00365

ANNUAL 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 Yongjun
Mr. LI Jinxian

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 HM11
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 HM11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I hereby present the report on the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

Overview

Looking back at 2020, as the world was dragged down by COVID-19 pandemic, economies of all sizes had experienced turmoil and challenges not seen in decades, which also severely tested the business environment across countries and regions. Fortunately, with the growing awareness and experience of governments in the prevention and control of the pandemic, as well as the significant progress in vaccine development, global economic activities are accelerating back on track and will see a strong rebound of demand in the market. In addition, the conclusion of the U.S. election is expected to bring new vigour into the China-U.S. trade cooperation, while the smooth Brexit of the UK from the EU also swept away the uncertainties of the political and business environment in the past few years, paving the way for the next phase of China-Europe trade. Overall, the world is gradually stepping out of the gloom after suffering the devastation of the pandemic earlier this year and is working together to drive economic growth.

In respect of the industry, benefitting from the rigid demand for electronic consumer products from the downstream market, the electronic equipment manufacturing industry saw a moderate impact and recovered favorably. Focusing on the domestic market, the overall manufacturing industry in China demonstrated a trend for recovery in 2020, with the PMI of manufacturing industry rebounding rapidly from the trough of the first quarter and remaining in the expansion zone for ten consecutive months, indicating both the supply side and the demand side keeping at optimum levels. Regarding the global market, according to the data released by the Semiconductor Industry Association, the sales of semiconductor of 2020 increased by 6.5% as compared to that of 2019, with the supply chain of semiconductor equipment remained generally stable. In addition, although the demand for personal electronics consumption was suppressed to a certain extent during the pandemic period, those future pillar industries, such as 5G network construction, automotive electronics, Smart City, and Smart Home, are still in rapid development, and will explore wide markets for the electronic equipment manufacturing industry. All of the above reflect the huge momentum and a promising future of the entire industry. The Group is also actively deploying its industrial development plans to progressively develop from a traditional SMT equipment manufacturer to an integrated service provider of SMT and semiconductor intelligent equipment, with an aim to boost the development of the Company by taking advantages from the times.

Business Review

In 2020, in the face of many unfavorable influences and constraints in the market, the Group continued to work hard in the SMT equipment manufacturing industry by building on its own strengths and striving to transform its long-accumulated advantages in technologies, resources and market into continuous innovation and pricing strengths, so as to further strengthen its position in the industry, and enhancing its corporate brand. At the same time, the Group continued to operate its securities investment segment prudently in order to generate higher investment returns in the ever-changing investment market. A number of financial figures of the Group were further enhanced and improved in 2020 as compared to that in 2019. During the year, the Group's revenue amounted to approximately HK$270,560,000, representing a significant increase of approximately 34.50% as compared to approximately HK$201,163,000 in 2019, and the total gross profit amounted to approximately HK$134,482,000, representing a remarkable increase of approximately 59.48% as compared to approximately HK$84,324,000 in 2019. Benefitting from the revenue growth and effective cost control in the SMT equipment manufacturing segment, as well as gains in the securities investment segment, the Group recorded a consolidated profit of HK$19,868,000 for the year on top of the significant loss reduction in the previous year, realising a turnaround amidst market headwinds.

Business Review (Continued)

Specifically, the SMT equipment manufacturing and related business segment saw a steady development with growing trends. The segment recorded revenue of approximately HK$233,784,000 for the year, representing a considerable increase of approximately HK$53,614,000 as compared to approximately HK$180,170,000 in the previous year and accounting for approximately 86.41% of the Group's total revenue in 2020. The gross profit margin of the segment was 42.08%, representing an obvious growth from approximately 35.19% in the previous year. During the year, the Group actively engaged in various commercial collaborations to further expand its business scale and broaden its revenue sources, Among it, as disclosed on 6 July 2020, a core subsidiary entered into a cooperation framework agreement amounted to RMB150 million with a third party, to provide multiple finance leasing options for the Group's main business SMT equipment manufacturing and those down-stream clients, and therefore can strongly facilitate and enhance the Group's sales performance and production capacity of SMT equipment, as well as benefit the Company's development into the semiconductor sector. In addition, as disclosed on 9 November 2020, the Group would set up a joint venture company with its partner in Zhengzhou City, Henan Province, in a view to establishing the Group's Global R&D Centre in Zhengzhou Zhongyuan Science and Technology Town and fostering the integrated circuit industry cluster in central China by introducing leading integrated circuit companies and financial resources for science and technology. This is also an exploration and attempt to combine the Group's strengths in high technology with the business of development and operation of science and technology parks. In summary, while continuously developing its core SMT equipment manufacturing business, the Group will pay close attention to the latest development opportunities emerging in the market, especially those in the semiconductor sector and the feasibility of developing and operating science and technology parks, to fully utilise the Group's existing advantages in the industry, technology and resources and to realise close integration and mutual benefits between the SMT equipment manufacturing business and its neighbouring industries.

For the securities investment business, the Group maintained a low-frequency investment strategy and invested mainly in Hong Kong listed companies in the semiconductor and technology industries. During the year, in the face of the significant increase in market uncertainties, the Group closely monitored the performance of its investment portfolio and reallocated its investments when appropriate to maximise investment returns. In 2020, the Group realised a segment investment income of approximately HK$36,278,000, achieving investment gains for two consecutive years.

Industry Trends

There is no doubt that the emergence of COVID-19 has restricted the rapid development of the global electronic technology industry, mainly reflected by the weakening supply chain stability and the suppressed short-term demand. However, it must be recognised that the development of the technology industry is a common pursuit of the whole society, and a temporary slowdown will not affect the fundamental direction of development. At present, the world has entered the 5G era, and the related infrastructures such as 5G network base stations, as well as personal electronic consumer products such as 5G mobile phones and 5G smart wearable devices, are facing a huge demand for replacements and upgrades, which will greatly promote the development of SMT equipment manufacturing and semiconductor industry. Furthermore, 5G technology also boosts the construction of smart transportation and smart city, and the demand for intelligent public service facilities derived therefrom shall not be overlooked. According to the public data released by the Ministry of Industry and Information Technology of the PRC, by the end of 2020, China has built over 700,000 5G base stations, with over 180 million connections of 5G terminals across the country, and the 5G network has covered all cities above the prefecture level and those key counties across the country. According to the forecast of China Academy for Information and Communications, by 2025, the market size of 5G industrial chain will reach RMB3.3 trillion, and the scale of 5G ecosystem and 5G empowering industries, including smart transportation, smart cities, smart factories and video entertainment, will reach RMB6.3 trillion. Apart from that, with the maturity and wide application of 5G technology, the development process of the Internet of Things (IoT) will also be accelerated, and various types of smart appliances including smart homes will certainly become the next hot spot in the market and a new round of consumption.

Except for the significant industry benefits brought by 5G, thanks to the increasing awareness of environmental protection from the public and various incentives and stimulus policies implemented by the government, the proportion of new energy vehicles has shown a rapid growth in recent years and the automotive electronics market has notably become another major driver for the electronic industry. According to the estimation by Gaogong Industry Institution (GGII), the global production volume of new energy vehicles is expected to exceed 6 million units by 2022, and the growing volume of new energy vehicles will lead to the continuous expansion of the entire automotive electronics market. At the same time, MiniLED is expected to open up a new incremental market for LED displays. In addition to the multiple advantages of traditional LED displays, MiniLED displays also have better protection and higher resolution, and have been applied to high-end consumer electronics products since 2020. In the future, with the constant optimisation of MiniLED technology, it is expected that MiniLED displays will be more widely used in business, medical, gaming and other fields.

Industry Trends (Continued)

Looking forward, the development of industrial applications, such as artificial intelligence (AI), 5G mobile communication, autonomous driving and Internet of Things (IoT), will continue to promote the development of the electronic manufacturing industry towards intelligent, lightweight and high precision, bringing unprecedented new space and new opportunities for the entire industry.

Outlook

Moving into 2021, COVID-19 is gradually under control, economic and trade activities around the world are speeding up recovery, and the overall consumer market is reviving, all of these have created good conditions for business development in the next stage. The Group is cautiously optimistic about the future opportunities in the industry and the global business environment. With the goals of stable operation and proactive development, the Group will continue to develop its core SMT equipment manufacturing and related business in the coming year, consolidate its advantages in self research and development, and enhance its brand influence and industry competitiveness. Meanwhile, the Group will take full advantage of the strong influence and capital advantages of its controlling shareholder in the semiconductor industry, aggressively seize the valuable development opportunities in the semiconductor industry and build the Group into a leading integrated service provider for SMT and semiconductor intelligent equipment in China.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management, all staff members and business partners of Sino ICT for their hard work and trust, as well as the shareholders for their continuous support to the Group.

Du Yang
Chairman

Hong Kong
31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

SMT Equipment Manufacturing and Related Business

Electronic assembly technology is an integral part of modern electronics advanced manufacturing technology, an important parameter in judging the comprehensive strength technological development of a country, and a key to producing small, lightweight, multifunctional and reliable electronic products. Among which, surfaced mounting technology (SMT) is an electronic assembly technology which directly places and solders surface mount components to the surface of a pad to achieve electrical connection with the conductive pattern without requiring to drill holes on the pad. During the year, SMT equipment manufacturing and related business was at the core of the Group's development. For the year ended 31 December 2020, the gross profit margin of the SMT equipment manufacturing and related business of the Group was 42%, representing an increase of approximately 7% as compared to last year. The revenue of the segment also increased year-on-year by approximately HK$53,614,000 to approximately HK$233,784,000.

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

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

SMT Equipment Manufacturing and Related Business (Continued)

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

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

Securities Investment Business

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

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

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

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

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

Securities Investment Business (Continued)

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

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

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

In the above securities investments, only the securities investment in SMIC accounted for more than 5% of the total assets of the Group as at 31 December 2020. Details of this significant investment are disclosed below in accordance with the requirement of paragraph 32(4A) of Appendix 16 to the Listing Rules:

Significant investment(s) with a value of 5% or more of the Group's total assets	As at 31 December 2020			
	No. of shares held	Approximately percentage of shares held	Investment costs (HK$'000)	Size of the investment relative to the total assets of the Company
SMIC	1,956,000	0.03%	21,477	5.74%

Securities Investment Business (Continued)

Information on SMIC

Semiconductor Manufacturing International Corp is a company mainly engaged in manufacturing and sales of wafers. The Company operates two segments. The sales of wafers segment produces and sells wafers which are applied in a range of products, including power management integrated circuit (PMIC), battery management integrated circuit (BMIC), microprocessor (MCU), CMOS Image Sensors (CIS), RF and wireless connectivity, touch controller integrated circuit (TCIC) and other products. The Mask Making, Testing and Other segment manufactures semiconductor masks and provides wafer testing services. The Company sells its products to both domestic and international markets, including the United States, Europe and Asia.

As aforementioned, the Company sold the remaining 1,956,000 SMIC shares in the open market on 18 January 2021. Currently, the Company does not hold any SMIC shares.

FINANCIAL REVIEW

Income

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

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

FINANCIAL REVIEW (Continued)

Other gains

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

Distribution costs

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

Administrative costs

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

Finance costs

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

Profit for the year

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

FINANCIAL REVIEW (Continued)

Profit before interest, tax, depreciation and amortisation

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

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

Liquidity, financial resources and gearing ratio

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

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

FINANCIAL REVIEW (Continued)

Operating capital management

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

Capital expenditure on property, plant and equipment

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

Charges on the Group's assets

As at 31 December 2020, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) a first legal charge on certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK$81,689,000.

Equity and liabilities

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

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

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

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

Financial risk

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

Credit risk

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

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollar, and US dollar. During the year, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

Price risk

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

HUMAN RESOURCES

As at 31 December 2020, the Group employed approximately 316 full-time employees and workers in Mainland China, and employed approximately 22 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

Corporate Governance Practices

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the year ended 31 December 2020.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, the Company confirmed that they had complied with the required standard as set out in the Model Code for the year.

Board of Directors

The Board, headed by the Chairman, is responsible for the oversight of the management of the business and affairs of the Company with the objective of enhancing shareholder value. It is responsible for the formulation and the approval of the Group's development and business strategies and policies, approval of annual budgets and business plans, recommendation of dividend, and supervision of management in accordance with the governing rules. The management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board of the Company comprises a total of eight Directors, with three executive Directors, two non-executive Directors and three independent non-executive Directors. More than one-third of the Board members are independent non-executive Directors and not less than one of them have appropriate professional qualifications of accounting or related financial management expertise. The composition of the Board is shown on page 25 under the section "Attendance Record at Meetings" in this report. Biographies of the Directors are set out on pages 33 to 36 under the section "Directors Profile" in this annual report.

Board of Directors (Continued)

For the year ended 31 December 2020, the non-executive Directors of the Company were Mr. Li Yongjun and Mr. Li Jinxian. The abovementioned directors were appointed with effect from 5 November 2019. The Company has entered into a service agreement with Mr. Li Yongjun and Mr. Li Jinxian for a term of three years respectively, which may be terminated by either party giving not less than three months' prior notice in writing to the other party and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles of Association of the Company and the Listing Rules.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Directors are provided with complete, adequate explanation and information to enable them to make an informed decision or assessment of the Company's performance, position and prospects and to discharge their duties and responsibilities on a timely basis. The Directors, to properly discharge their duties, are given access to independent professional advisers, when necessary, at the expense of the Company.

Regular board meetings are scheduled to be held at approximately quarterly intervals for reviewing and approving the financial statements and operating performance, and considering and approving the strategies and policies of the Company.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the Code Provision D.3.1 of the Code.

The Board has reviewed the Company's corporate governance policies and practices, trainings and continuing professional development of Directors and the senior management personnel, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Code and disclosure in this report.

Board of Directors (Continued)

Continuing Professional Development

In response to the continuous updating of compliance requirements and new trends in the market, the Company continues to provide various training materials to its directors and encourages directors, in particular non-executive directors and independent non-executive directors, to actively participate in various professional training activities in their areas of work so as to enhance the standard of governance of the Board. For the year ended 31 December 2020, the Directors have undergone satisfactory training throughout the year and provided the training record to the Company, which are set out as below:

Directors	Corporate Governance/update on laws, rules and regulations	
	Reading Materials	Attend Seminars, Briefings and Conferences
Executive Directors		
Mr. DU Yang *(Chairman)*	✓	✓
Mr. YUAN I-Pei	✓	✓
Mr. XIA Yuan *(Chief Executive Officer)*	✓	✓
Non-executive Directors		
Mr. LI Yongjun	✓	✓
Mr. LI Jinxian	✓	✓
Independent Non-executive Directors		
Mr. CUI Yuzhi	✓	✓
Mr. BAO Yi	✓	✓
Mr. PING Fan	✓	✓

Board of Directors (Continued)

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Chairman and Chief Executive Officer

The Company complies with the Code Provision A.2.1 which stipulates that the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual at the same time.

For the year ended 31 December 2020, the role of Chairman of the Group was served by Mr. Du Yang, and the role of Chief Executive Officer of the Group was served by Mr. Xia Yuan.

Nomination Committee

The Company has established a Nomination Committee in accordance with the requirements of the Code in order to review the structure, size and composition of the Board on an annual basis to ensure that the skills and experience of individual Board members meet the diversity requirements of the Board and provide a multi-dimensional view of corporate development and are commensurate with the corporate governance needs necessary for the Company's development; to critically assess the independence of the independent non-executive directors in accordance with the requirements of the Listing Rules; to make recommendations to the Board on the appointment or re-appointment of Directors; and to regularly review the effectiveness and transparency of the director nomination policy.

The Nomination Committee currently comprise three members, namely executive Director and Chairman Mr. Du Yang (the committee chairman), and independent non-executive Directors Mr. Cui Yuzhi and Mr. Ping Fan.

During the year ended 31 December 2020, the Nomination Committee met one time and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Review on the structure, size and composition of the Board of the Company, to make sure the Board membership is diverse and aligned with current corporate governance needs;

(b) Recommendations on the re-appointment of Directors;

Board of Directors (Continued)

Nomination Committee (Continued)

(c) Assessment on the independence of the independent non-executive Directors; and

(d) Review the Board Diversity Policy and the Nomination Policy.

The Board has developed and introduced the Board Diversity Policy and the Nomination Policy since 2018 to meet the requirements of the Code which came into effect in 2019. During the year of 2020, the Nomination Committee reviewed the Board Diversity Policy and the Nomination Policy and confirmed that the policies were appropriate and effective. Summaries of the policies are set out below and details of the policies are available on the investor relations section of the Company's website (www.sino-ict.com).

Board Diversity Policy

The Company understands and believes that a diverse board of directors is beneficial to the quality of the performance of the Company. For this reason, the Company considers the Board diversity from a wide range of aspects when setting the composition of the board of directors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of viewpoints and perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board.

Nomination Policy

The Nomination Committee advises the Board on the appointment of Directors and the succession plan for the Directors. In assessing the candidates, it will refer to the candidate's reputation, achievements and experience in the industry, the time available and the interests of the relevant sectors, and diversity in all aspects of the Board and so on. The appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

The Nomination Committee reviews the Board Diversity Policy and the Nomination Policy on an annual basis and makes recommendations to the Board for approval regarding any revisions to the Policies as necessary.

Board of Directors (Continued)

Remuneration Committee

The Company has established a Remuneration Committee in accordance with the requirements of the Code for the purpose of reviewing the remuneration policy and structure of the Directors and senior management and determining the remuneration packages of all Directors and senior management. The Remuneration Committee comprises three members, namely independent non-executive Directors Mr. Bao Yi (the committee chairman) and Mr. Ping Fan, and executive Director Mr. Yuan I-Pei.

During the year ended 31 December 2020, the Remuneration Committee met one time and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Nomination Committee has considered and provided the Board with the following proposals:

(a) Review on the remuneration policies of the Directors and senior management of the Company;

(b) Recommendations on the remuneration of existing Directors and the management to the Board; and

(c) Review on and approval of the annual performance bonus schemes and the granting of discretionary bonus to both management and other employees of the Company.

The Remuneration Committee is to determine, with responsibility delegated by the Board, the remuneration packages of individual executive Directors. Further particulars in relation to Directors' remuneration and the five individuals with highest emoluments as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in Note 9 and Note 37 to the consolidated financial statements.

Board of Directors (Continued)

Audit Committee

The Audit Committee comprises three members, namely independent non-executive Directors Mr. Cui Yuzhi (the committee chairman) and Mr. Bao Yi, and non-executive Director Mr. Li Jinxian.

The main responsibilities of the Audit Committee include reviewing the financial reporting system, risk management and internal control system of the Group and reporting to the Board; reviewing the financial information of the Company, which includes review of the completeness of the financial statements, annual reports and accounts, interim reports of the Company, as well as the review of the significant advice related to financial reporting as set out in the statements and reports; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor as well as the remuneration and the employment terms of the external auditor; reviewing the Group's annual audit plan; monitoring the work procedures and the independence of the external auditor; reviewing the Company's compliance with the requirements of laws and the Listing Rules, and engaging independent legal or other advisers as it determines necessary.

During the year ended 31 December 2020, the Audit Committee met three times and the attendance records of each member are set out in the section "Attendance Record at Meetings" in this report. The Audit Committee has considered and provided the Board with the following proposals:

(a) Review on the draft annual and interim financial statements and the draft results announcements during the year;

(b) Review on the remuneration of the external auditor and making recommendations to the Board;

(c) Recommendations to the Board in relation to the re-appointment of the external auditor; and

(d) Review on the audit plan proposed by the external auditor and making recommendations to the Board.

Board of Directors (Continued)

Attendance Record at Meetings

The attendance records of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings during the year ended 31 December 2020 are set out in the following table:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings
Number of meeting held	6	3	1	1	1
Executive Directors					
Mr. DU Yang *(Chairman)*	6/6	N/A	N/A	1/1	1/1
Mr. YUAN I-Pei	6/6	N/A	1/1	N/A	1/1
Mr. XIA Yuan *(Chief Executive Officer)*	6/6	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. LI Yongjun	6/6	N/A	N/A	N/A	1/1
Mr. LI Jinxian	6/6	3/3	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. CUI Yuzhi	6/6	3/3	N/A	1/1	1/1
Mr. BAO Yi	6/6	3/3	1/1	N/A	1/1
Mr. PING Fan	6/6	N/A	1/1	1/1	1/1

Auditor's Remuneration

For the year ended 31 December 2020, the remuneration paid or payable to the Company's auditor, PricewaterhouseCoopers, is set out as follows:

Services rendered	Fee paid/ payable HK$'000
Audit services	2,287

Company Secretary

The Company Secretary, Mr. Liu Wei, is an employee of the Company who has knowledge of the Company's daily operations affairs.

For the year ended 31 December 2020, the Company Secretary attended not less than fifteen hours of relevant professional training to update his skills and knowledge.

Directors' responsibility statement

The Directors acknowledge their responsibility for preparing financial statements for each financial year which give a true and fair view the state of affairs of the Company and the Group's results and its cash flows.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor's responsibility statement

The auditor's responsibilities on the consolidated financial statements of the Group are set out in the Independent Auditor's Report on pages 64 to 70.

Risk Management and Internal Control

The Board is responsible for ensuring that the Group has an appropriate risk management and internal control system in place and reviewing the effectiveness of the system on an annual basis. Although the Group has put in place corresponding risk management and internal control systems for different business segments and management divisions, due to the uncertainty of risks, such systems and management practices are designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore the Board can only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

The Group is committed to continuously improving its risk management system and continuously enhancing its risk management capability through the established risk management system and risk management procedures to ensure the long-term growth and sustainable development of the Group's business. In terms of ongoing monitoring and management of significant risks, the Group adopts a three-level risk management approach to identify, assess, reduce and deal with risks, from which a top-down and group-wide risk management system is derived. Under the level-1 risk management, the subsidiaries shall identify, assess and monitor risks related to their own businesses or transactions; under the level-2 risk management, the Group shall define the risk management rules, and provide technical and resource support; and under level-3 risk management, the internal audit department shall ensure existence and effectiveness of level-1 and level-2 risk management through continuous inspection and monitoring.

Risk Management and Internal Control (Continued)

In respect of the internal control, the Group has developed an internal control system with reference to COSO reporting principles, which involves five elements: internal environment, risk assessment, monitoring activities, information and communication, and internal supervision, to ensure that the Group's operations are in compliance with the laws and regulations of the region, that the Group's assets are safe, and that the financial reports and related information are true and complete, so that the Group can carry out its business operations safely and effectively. Looking back at 2020, the Group paid special attention to policy and regulatory risks, market competition and innovation risks as well as social responsibility risks. Through a series of risk management and control measures, the Group effectively ensured that the risks faced were within the Group's controllable level. During the year, the management of the Group prepared an internal control self-assessment questionnaire in accordance with the COSO framework to guide the management of each subsidiary to conduct self-assessment and to collect the results of the self-assessment. The Chief Executive Officer of the Group reviewed the self-assessment status of each of the subsidiaries to assess the effectiveness of the Group's internal control system in general. In addition, on the basis of the self-assessment under internal control, the Group made active improvements and refinements to the existing internal control deficiencies. The focus of internal control in 2020 was on the control of procurement process and cost control in the production process. Through centralised procurement and production process optimisation, the Group was able to find suppliers with low prices and guaranteed quality and reduced product costs.

The Group also has a dedicated team responsible for handling and disseminating inside information and keeping in view the corresponding internal control measures. The team, comprising Directors, the Company Secretary and other senior management, actively seeks external legal advice on a case-by-case basis to ensure that it complies with the relevant laws and regulations such as the Securities and Futures Ordinance and the Listing Rules. Details of the controls and governance structure of the Directors and management of the Group in relation to the risks of environmental, social and governance ("ESG") matters are set out in the ESG Report on pages 45 to 63.

For the year ended 31 December 2020, the Board considers that the Group's risk management and internal control systems are effective and adequate. In addition, the Board is satisfied that the accounting and financial reporting functions of the Company have been performed by sufficient employees with appropriate qualifications and experience and that such employees have received appropriate and adequate training and development. The Board is also satisfied that the internal control functions of the Group are adequately resourced and that the qualifications and experience of its employees, training programmes and budget are adequate.

Shareholders' Rights

Procedures for Shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Company's bye-laws and the Companies Act 1981 of Bermuda ("Company Act"), registered Shareholders holding not less that one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("SGM Requisitionists") can deposit a written request to convene a SGM at the registered office of the Company ("Registered Office"), which is presently situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The SGM Requisitionists must state in their request(s) the purposes of the SGM and such request(s) must be signed by all the SGM Requisitionists and may consist of several documents in like form, each signed by one or more of the SGM Requisitionists.

The Share Registrars will verify the SGM Requisitionists' particulars in the SGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the SGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene a SGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the SGM Requisitionists' request is verified not in order, the SGM Requisitionists will be advised of the outcome and accordingly, a SGM will not be convened as requested.

The SGM Requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM if within twenty-one days of the deposit of the SGM Requisitionists' request, the Board does not proceed duly to convene a SGM provided that any SGM so convened is held within three months from the date of the original SGM Requisitionists' request. A SGM so convened by the SGM Requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Company.

Shareholders' Rights (Continued)

Procedures for shareholders to put forward proposals at a general meeting

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must by deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

Procedures for shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the session of Investor/Shareholder Enquiry under the column of Investor Relations of the Company's website (www.sino-ict.com).

Shareholders' Rights (Continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Mr. Liu Wei
Unit 02-03, 69/F,
International Commerce Centre,
1 Austin Road West,
Tsim Sha Tsui,
Kowloon, Hong Kong

Fax: (852) 2343 3120
Email: enquiry@sino-ict.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Constitutional Documents

During the reporting period, there had not been changes in the memorandum and articles of Association of the Company. The Memorandum and Articles of Association have already been posted on the session of Bye-laws under the column of Investor Relations of the Company's website (www.sino-ict.com) for the investors' viewing.

FIVE YEAR FINANCIAL SUMMARY

A Summary of the results and of the assets and liabilities of the Group for the past five years as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Meanwhile, due to the change in accounting policy for property and plant, the Group has made retrospective adjustments and restatement on the comparative amounts for the previous annual reporting periods in accordance with HKAS 8.

	Year ended 31 December				Nine months ended 31 December	Year ended 31 March
	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016 (Restated)	2016 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS						
Revenue and gain on securities investment	**270,560**	201,163	71,430	246,029	268,360	727,213
Profit/(loss) before tax	**25,249**	(6,802)	(139,998)	60,873	(575,733)	(1,263)
Income tax (expense)/credit	**(5,599)**	(4,809)	18,834	(5,448)	(21,595)	551
Profit/(loss) for the year attributable to the equity holders of the Company	**19,650**	(11,611)	(120,484)	57,690	(597,328)	(712)

	As at 31 December					As at 3 March
	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016 (Restated)	2016 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES						
Total assets	**753,206**	699,448	634,914	732,942	921,521	723,143
Total liabilities	**443,992**	(410,102)	(331,996)	(297,135)	(1,138,489)	(426,147)
	309,214	289,346	302,948	435,807	(216,968)	(296,996)

DIRECTORS PROFILE

Executive Directors

Mr. Du Yang, aged 43, serves as Executive Director, Chairman of the Board and Chairman of Nomination Committee of the Company. Mr. Du Yang serves as the Investment Director of Sino IC Capital Co., Ltd. (華芯投資管理有限責任公司), the Legal Representative, Chairman and General Manager of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司), the Chairman of 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), which is the actual controlling shareholder of the Company, and the Director of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司). In 2014, Mr. Du Yang participated in the founding of the China Integrated Circuit Industry Investment Fund (國家集成電路產業投資基金) and Sino IC Capital Co., Ltd. (華芯投資管理有限責任公司). In 2018, Mr. Du Yang founded Shanghai Semiconductor Equipment and Materials Investment Fund (上海半導體裝備材料基金). Prior to that, Mr. Du Yang has worked for the Bank of China and the China Development Bank. Mr. Du Yang holds a bachelor's degree in Chinese Language & Literature from Fudan University (復旦大學) in the PRC, a master's degree in Business Administration from Nagoya University of Commerce & Business (名古屋商業大學) in Japan, a master's degree in Financial Management from University of Salford, Manchester in the United Kingdom and an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院). In 2015, Mr. Du Yang qualified as a senior economist.

Mr. Yuan I-Pei, aged 49, serves as Executive Director and member of Remuneration Committee of the Company. Mr. Yuan is currently the Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司) and the President of 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), and concurrently serves as the Director of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Mr. Yuan began his career in 1996 and worked for various international banks, such as Citibank, CTBC Bank (中國信託銀行) and Barclays Capital. Mr. Yuan was previously Vice President of Temasek's Fullerton Financial Holdings Pte. Ltd. (淡馬錫富登金融控股私人有限公司), Director at Australia and New Zealand Banking Group, and Vice President of Bank of Tianjin (天津銀行). Mr. Yuan holds a bachelor degree in Economics from Tsinghua University in Taiwan (台灣清華大學), China and an MBA degree from the University of Wisconsin-Madison in US.

Executive Directors (Continued)

Mr. Xia Yuan, aged 40, serves as Executive Director and Chief Executive Officer of the Company. Mr. Xia Yuan holds a doctoral degree in Communication Studies from Zhejiang University (浙江大學), an EMBA from the PBC School of Finance at Tsinghua University (清華大學五道口金融學院) and a master's degree in Marketing Communication from Bournemouth University. Mr. Xia Yuan is currently the Executive Vice President of Sino IC Leasing Co., Ltd (芯鑫融資租賃有限責任有限公司), and concurrently serves as the Director and President of Sino Xin Ding Limited, the direct controlling shareholder of the Company. Mr. Xia Yuan served as the Assistant General Manager of Beijing Tong Ren Tang Health Pharmaceutical Co. Ltd. (北京同仁堂健康藥業股份有限公司), the Vice President, and Assistant to President of China Great Wall Computer (H. K.) Holdings Limited (中國長城計算機(香港)控股有限公司), a Sales Engineer and a Sales Manager at Huawei Technologies Co. Ltd. (華為技術有限公司). Mr. Xia Yuan has over 10 years of experiences in strategic planning, marketing and capital operations.

Non-executive Directors

Mr. Li Yongjun, aged 48, serves as Non-executive Director of the Company. Mr. Li Yongjun is currently the Founding partner, Director and Executive President of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Director of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Director and President of Shanghai Semiconductor Equipment and Materials Industry Investment Management Co., Ltd. (上海半導體裝備材料產業投資管理有限公司), the Director of Shanghai Phichem Material Co., Ltd. (上海飛凱光電材料有限公司) (stock code: 300398.sz), the Board chairman of Jiangsu Xinshun Micro Electronic Co.,Ltd. (江蘇新順微電子有限公司) and the Director of Kingstone Semiconductor Joint Stock Company Ltd. (上海凱世通半導體股份有限公司). Prior to his current positions, Mr. Li Yongjun worked in Shanghai Pudong New Area Science and Technology Committee (上海市浦東新區科學技術委員會), Shanghai Pudong Productivity Promotion Centre (上海浦東生產力促進中心), Shanghai Pudong Science and Technology Information Centre (上海市浦東科技資訊中心) and Pudong New Area Science & Technology Bureau High-Tech Industrialization Department (浦東新區科技局高新技術產業化處). In addition, he was previously the General Manager of Otsuka (China) Investment Co., Ltd. (大塚(中國) 投資有限公司), the General Manager of Shanghai Pudong Science and Technology Investment Co., Ltd. (上海浦東科技投資有限公司), the Vice Chairman of Shanghai Wanye Enterprise Co., Ltd. (上海萬業企業股份有限公司), the Chairman of Shanghai Xinmei Real Estate Co., Ltd. (上海新梅置業股份有限公司), successively. Mr. Li Yongjun holds a doctorate postgraduate degree from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Non-executive Directors (Continued)

Mr. Li Jinxian, aged 47, serves as Non-executive Director and member of Audit Committee of the Company. Mr. Li Jinxian is currently the Executive Vice President of 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). Prior to joining 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), he worked in China Agriculture, Farming and Fishery International Cooperation Co., Ltd. (中國農牧漁業國際合作公司), China Cinda Asset Management Co., Ltd. (中國信達資產管理公司), Morgan Stanley Asset Services China Co., Ltd. (摩根士丹利資產服務中國有限公司) and Cathay Consulting Beijing Co., Ltd. (CATHAY顧問北京有限公司), which is wholly-owned by Deutsche Bank. Mr. Li Jinxian was also previously the Managing Director of Guokai Ruohua Industry Investment Fund Management Co., Ltd. (國開熔華產業投資基金管理有限責任公司). Mr. Li Jinxian holds a bachelor's degree in Economics from the Capital University of Economics and Business (首都經濟貿易大學) in the PRC and a part-time postgraduate degree with an expertise in technical economics from Renmin University of China (中國人民大學) in the PRC.

Independent Non-executive Directors

Mr. Cui Yuzhi, aged 55, serves as Independent Non-executive Director, Chairman of Audit Committee and member of Nomination Committee of the Company. Mr. Cui Yuzhi is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honour), and MBA from the University of Chicago Booth School of Business. Mr. Cui Yuzhi has more than 20 years' experience in finance with deep expertise in international capital market and enterprise operations. Mr. Cui Yuzhi held senior positions at various organisations, including the Executive President of Tendcare Medical Group, the Portfolio Manager at Atlantis Investment Hong Kong, the General Manager of investment and operations at Renhe Commercial (stock code: 1387.hk), the CFO of Zhong An Real Estate (stock code: 672.hk), the CFO of Excellence Group, the CFO of Treasury Holdings China Limited and the Vice President of Shanghai Forte Group. Mr. Cui Yuzhi is currently a non-executive Director of Forgame Holdings Limited (stock code: 484.hk).

Independent Non-executive Directors (Continued)

Mr. Bao Yi, aged 45, serves as Independent Non-executive Director, Chairman of Remuneration Committee and member of Audit Committee of the Company. Mr. Bao Yi is currently the Chairman of Cedarlake Capital, a cross-border platform of equity investments, and is committed to drive the value creation of synergy among global major industries, economies and capital markets. Prior to establishing Cedarlake Capital, Mr. Bao Yi was an important investment banker and the Managing Director of Morgan Stanley, and served as the main founder, pioneer and Chief Executive Officer of Morgan Stanley Huaxin Securities Co., Ltd.. Mr. Bao Yi also served as the Chairman of Granday Financial Leasing Co., Ltd.. Mr. Bao Yi obtained MBA from the Wharton School of the University of Pennsylvania. He is granted as financial expert of the Hundred Talents Program of Pudong District, Shanghai.

Mr. Ping Fan, aged 42, serves as Independent Non-executive Director and member of Remuneration Committee and Nomination Committee of the Company. He holds a bachelor's degree in Management from the Business School of the University of Manchester, and an EMBA from the School of Economics and Management of Tsinghua University. Mr. Ping is currently the Chairman and CEO of Shanghai Lang Sheng Investment Limited, a Commissioner of All-China Youth Federation, an Entrepreneurs' Council Member of Chinese Economists 50 Forum, a member of CPPCC of Shanghai Huangpu District, and the Chairman of the Shanghai Concord Bilingual School.

REPORT OF THE DIRECTORS

The Board hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Principal Activities

During the year, the principal activity of the Company is investment holding, and the principal activities of its respective subsidiaries cover the business of SMT equipment manufacturing, and securities investment. During the year, there is no major change in the nature of the main business of the Group.

Results and Dividends

The Group's profit for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 71 to 165.

The Directors do not recommend the payment of a dividend for the year.

Summary of Financial Information

The published results and a summary of assets and liabilities of the Group for the last five financial years are set out on page 32 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in Note 24 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in Note 36 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2020, the Company's share premium account, in the amount of approximately HK$95,240,000 may be distributed in the form of fully paid bonus shares.

Bank Borrowings

Details of bank borrowings of the Company and the Group during the year are set out in Note 28 to the consolidated financial statements.

Major Customers and Suppliers

During the year, aggregate sales attributable to the Group's five largest customers were approximately 9.05% of the total sales for the year and sales attributable to the largest customer included therein were approximately 3.06%. Purchases from the Group's five largest suppliers accounted for approximately 32.13% of total purchases during this year and purchases from the largest supplier included therein amounted to approximately 12.87%.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers during the year.

Directors

The Directors of the Company are as follows:

Executive Directors

Mr. DU Yang *(Chairman)*
Mr. YUAN I-Pei
Mr. XIA Yuan *(Chief Executive Officer)*

Non-executive Directors

Mr. LI Yongjun
Mr. LI Jinxian*

Independent Non-executive Directors

Mr. CUI Yuzhi*
Mr. BAO Yi*
Mr. PING Fan

* Members of the Audit Committee

Directors (Continued)

In accordance with clauses 87 and 88 of the Company's bye-laws, Mr. Yuan I-Pei, Mr. Li Yongjun and Mr. Li Jinxian will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting 2021, as informed to the Board.

In accordance with the Company's Bye-laws, the Directors of the Company, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the Annual General Meeting. Every director is subject to retirement at least once every three years.

The Company has received annual confirmations of independence from all independent non-executive Directors and as the date of this report still considers them to be independent.

Directors' Biographies

Biographies details of the Directors of the Company are set out on pages 33 to 36 of this annual report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2020.

Related Party Transactions

During the year ended 31 December 2020, the Group had not entered into any non-exempt connected transaction under the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2020, which do not constitute non-exempt connected transactions under the Listing Rules, are disclosed in Note 35 to the consolidated financial statements.

Competing Interest

During the year ended 31 December 2020, none of the Directors, the controlling shareholders, and their respective close associates (as defined under the Listing Rules) was interest in any business which competes or may compete with the business of the Group.

Contract of Significance

There was no contract of significance between the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries as at 31 December 2020.

Directors' Interests in Shares and Underlying Shares

As at 31 December 2020, none of the Directors had any interest or short position in the share capital 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 pursuant to 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 year 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 as a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interest in Shares and Underlying Shares

At 31 December 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 position in the Shares

Name of Shareholder	Nature of Interest	Number of the ordinary share held	Approximate percentage of total shareholding %
Sino Xin Ding Limited *(note 1)*	Beneficial owner	987,176,230	67.85
Chen Ping	Beneficial owner	100,000,000	6.87
But Tin Fu *(note 2)*	Beneficial owner/interest of controlled corporation	87,783,168	6.03
Reach General *(note 3)*	Beneficial owner	84,270,000	5.79

Notes:

1. 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)).

2. 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.

3. Reach General International Limited ("Reach General") is 100% beneficially owned by Mr. Wu Xin.

Save for the interests disclosed above, the Company had not been notified of any other person (other than the Directors or Chief Executive of the Company) who had 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 of 31 December 2020.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares preferentially on a pro-rata basis to existing shareholders.

Management Contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Tax Relief

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

Permitted Compensation Provision

The by-laws of the Company provides that each Director or other Officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' and Officers' liability insurance in respect of relevant legal actions against the Directors.

Post-reporting Period Events

Details of post-reporting period events are set out in Note 38 to the consolidated financial statements.

Segmental Information

Details of segment information are set out in Note 5 to the consolidated financial statements.

Environmental Policies Performance

The Group is committed to the maintenance of the long-term sustainability of the environment and communities in which it operates. As a responsible corporation, to the best knowledge of the Directors, the Group has complied with the relevant laws and regulations regarding environmental protection during the year ended 31 December 2020.

Compliance with the Relevant Laws and Regulations

As far as the Board and management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands fully the success of the Group's business depends on the inextricably-linked support from its key stakeholders, including employees, customers, suppliers, banks, regulators, and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Equity-linked Agreement

Save as disclosed in this annual report, the Group has not entered into any equity-linked agreement during the year.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

Sufficiency of Public Float

Based on the public information that is available to the Company and within the knowledge of the Directors, the Directors confirmed that at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2020 was audited by the Company's auditor PricewaterhouseCoopers ("PwC").

PwC has retired and has been reappointed at the 2020 Annual General Meeting of the Company with its terms of office until the conclusion of the forthcoming annual general meeting of the Company. It will be eligible and offer itself for re-appointment at that meeting.

There has been no change in auditor of the Company in the preceding three years.

On behalf of the Board
Du Yang
Chairman

Hong Kong
31 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Dear Shareholders, investors and stakeholders,

On behalf of the board (the "Board") of directors (the "Directors") of Sino ICT Holdings Limited (the "Company" or "Sino ICT"), I hereby present the Environmental, Social and Governance (the "ESG") Report (the "Report") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 to review and illustrate its management approaches, strategies, measures, objectives and achievements in each of the ESG aspects.

Governance policies

The Group fully understands that an enterprise, as a member of the society, should actively take the corresponding social responsibilities to promote the common development and benefits of the enterprise, the natural environment and social stakeholders. During the reporting period, the Group demonstrated its commitment to sustainable development by strictly implementing various laws and regulations on environmental protection and in-company policies on environmentally friendly operations, and proactively researching and promoting environment-friendly products, for a maximum reduction in the effect that energy consumption, emissions, etc. had on the natural environment. In terms of social responsibilities, the Group continued to provide a safe and good working and living environment for its employees and constantly broadened the development platform for its employees, in order to facilitate the common development of the enterprise and its employees. In addition, the Group also actively maintained positive cooperative relationships with its suppliers and customers and invested resources into community construction to undertake greater social responsibilities.

The specific environmental, social and governance policies and measures applied and adopted by the Group are disclosed in specific sections of the Report.

Governance Structure

In response to the update of the Environmental Social and Governance Reporting Guide ("ESG Guide") and the relevant provisions of the Listing Rules by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has set up an ESG task force (the "ESG Task Force") by reference to the guide for board and directors titled *Leadership Role and Accountability in ESG* and released by the Stock Exchange, for an effective governance over ESG issues by the Board in a clear and institutionalised manner.

Governance Structure (Continued)

The ESG Task Force consists of the executive Directors, senior management and persons in charge of specific operations of the Company, covering various ESG issues related departments including the Board Office, Finance Department, Administrative Department, Human Resources Department and Marketing Department. The members of the ESG Task Force are responsible for: (i) assessing the ESG issues that have a significant impact on the operation and development of the Group based on the communication with stakeholders and the Group's business characteristics, and prioritising such ESG issues by materiality to determine the reporting scope and focuses. The aforementioned assessment process and results should be reviewed and reported to the Board on a regular basis; (ii) conducting continuous monitoring over the Group's ESG performance, collecting and collating all the data and information about ESG as required for the Report, and making reports and suggestions to the Board regarding the management strategies and the progress of the ESG issues on the basis of the assessment results; and (iii) drafting the Report for the Board's review.

In summary, the Board will be constantly concerned about the ESG-related governance policies and governance structure, review the effectiveness of the Board's governance over ESG issues in due course, and make adjustments when necessary based on the results of all measures adopted, the future business development and the market situation. The Group will make constant efforts to improve its performance in ESG fields for greater contributions to the sustainable development of the society.

Du Yang
Chairman of the Board

Reporting Standards and Scope

This Report is prepared in accordance with the requirements of the ESG Guide set out in Appendix 27 of the Listing Rules. This Report covers the ESG information and activities of the Group during the period from 1 January 2020 to 31 December 2020 (the "Reporting Period"). The environmental and social data in the Report mainly cover the Group's production area in Shenzhen, Guangdong Province, Mainland China (the "Site") which bears the Group's major production activities. The Site generates an operating revenue accounting for nearly ninety percent of the Group's total annual income with the number of employees accounting for nearly ninety percent of the Group's total number of employees. Therefore, the management believes the ESG data and information of the Site can adequately reflect the Group's ESG performance, and such data was mainly derived from internal records and estimates.

The Report is prepared in accordance with the reporting principles of materiality, quantitative and consistency. The Groups records and discloses all environmental and social data based on the fixed quantitative standards and approaches it always adopts, and keeps the consistency of the statistical standards for all key performance indicators. For the purpose of the materiality assessment, the ESG Task Force has teased out the stakeholders that have a significant impact on the operation and development of the Group and has assessed the materiality of all ESG issues. During the Reporting Period, the participation of the stakeholders and the materiality assessment results of ESG issues are presented as follows.

Participation of Stakeholders

The Group fully understands that the long-term stable development of an enterprise relies on the positive interactions with all major stakeholders. We communicate with our major stakeholders including the shareholders, employees, suppliers, customers, governments and communities via multiple communication channels to collect their opinions and suggestions on the ESG issues of the Group, and try our best to make improvements to enhance our governance level.

Reporting Standards and Scope (Continued)

Participation of Stakeholders (Continued)

The Group mainly communicates with its major stakeholders in the following ways:

Major stakeholders	Communication channels
Shareholders and investors	Annual general meetings and other general meetings (if any) Interim reports, annual reports, announcements and other published information Company website Circulars
Employees	Regular performance appraisal Job training, team building activities and cultural activities Face-to-face talks
Suppliers	Business meetings and face-to-face talks Invitations for bids and bidding Supplier meetings
Customers	Customer support hotline and e-mail box Exhibitions of products
Governments and Communities	Volunteer activities Interviews (if any) Field tests and inspections Charity activities and social investments

Reporting Standards and Scope (Continued)

ESG Materiality Assessment

The Group has taken into account the practical conditions such as its business characteristics, geographical location and business operations in identifying the ESG issues and assessing their impacts on the Group and its major stakeholders (including the shareholders, employees, customers, suppliers, governments and communities), and ranked the ESG issues by materiality, with reference to the feedback from the relevant stakeholders collected through various communication channels.

The relevant material issues and the subject areas they belong to in the Guide are set out below:

ESG Index	Material ESG issues	Materiality
A. Environmental		
A1. Emissions	Greenhouse gas emission	Medium
	Waste management	Medium
A2. Use of Resources	Energy consumption	Medium
	Water consumption	Medium
	Packing material consumption	Medium
A3. The Environment and Natural Resources	Impact of operating activities on the environment and natural resources	Medium
A4. Climate Change	Impact of extreme weather (such as typhoon and high temperature) on production and operating activities	Medium

Reporting Standards and Scope (Continued)

ESG Materiality Assessment (Continued)

ESG Index	Material ESG issues	Materiality
B. Social		
B1. Employment	Recruitment, promotion and dismissal	Medium
	Remuneration and benefits	Medium
	Equal opportunity	Medium
B2. Health and Safety	Workplace safety supporting facilities and management system	High
	Safety supporting facilities and management system for employees' living area	High
B3. Development and Training	On-the-job training and diversified development for employees	Medium
B4. Labour Standards	Prevention of child labour and forced labour	High
B5. Supply Chain Management	Fair and clear procurement rules	Medium
	Stable business relationship	Medium
B6. Product Responsibility	Intellectual property	High
	After-sales services	Medium
	Privacy protection	High
B7. Anti-corruption	Anti-corruption and anti-bribery policies and reporting mechanism	Medium
	Anti-corruption training	Medium
B8. Community Investment	Community participation	Medium
	Charity activities	Low

Reporting Standards and Scope (Continued)

A. Environmental

A.1 Emissions

During the Reporting Period, the Group was principally engaged in SMT equipment manufacturing and related business. Different from general production process adopted by those common industrial enterprises, it does not emit a significant amount of highly polluting exhaust, waste water or solid wastes during the production process of the SMT equipment. In addition, the Group outsources the basic processing procedure, and therefore does not generate hazardous waste such as sewage and sludge as defined by national regulations. During the Reporting Period, the Group strictly complied with national and local laws and regulations, including the *Law of the People's Republic of China for Environmental Protection*, the *Law of the People's Republic of China for Environmental Protection Tax*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the *Administrative Measures for the Classification and Reduction of Domestic Waste in Shenzhen*.

The emissions generated in the operation and production processes of the Site are mainly from logistics and transportation. During the Reporting Period, the Group generated approximately 3.83kg of nitrogen oxides (NOx), representing a year-on-year decrease of approximately 4.49% from 4.01kg and a continuous decrease for three consecutive years; 0.06kg of oxysulfides (SO_x), representing a slight increase as compared with last year's 0.05kg; and 0.30kg of particulate matters (PM), flat with that of last year.

As none of fossil fuel, oil and liquefied petroleum gas was directly purchased as the energy source for the production and operation of the Site, the direct emissions of greenhouse gases are mainly due to the consumption of gasoline and diesel by vehicles. Approximately 9.96 tons of greenhouse gases directly generated from the Site were emitted in 2020, representing an increase of about 14.34% as compared with approximately 8.71 tons in 2019, mainly due to the increase in the Group's capacity. Among other things, approximately 9.05 tons of carbon dioxide (CO_2) were emitted, higher than last year's 7.76 tons; approximately 0.01 ton of methane (CH_4) was emitted, almost flat with that of last year; and approximately 0.92 ton of nitrous oxide (N_2O) was emitted, slightly lower than approximately 0.94 ton of the same period last year. The greenhouse gases emitted indirectly were mainly produced by the purchased electricity on which the daily operation of the Site relies. In 2020, the total amount of greenhouse gases indirectly produced by the purchased electricity used by the Site of the Group was approximately 878.45 tons, representing a slight increase of 3.22% as compared with 851.03 tons in 2019. Carbon dioxide (CO_2) emissions from such electricity consumption were calculated in accordance with the *Guangdong Province Enterprise (Unit) Carbon Dioxide Emissions Information Reporting Guide (2014)*.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.1 Emissions (Continued)

In general, during the Reporting Period, the Site basically kept emissions of various gases flat with those of last year, while some indicators rose or dropped slightly. The Group's target is to further reduce gas emissions where practicable and to maximise the reduction of adverse impact of its production and operation on the environment. For the purpose of vehicles management, the Group has formulated well-developed rules on vehicles management and designated specially-assigned persons to record and monitor the use of vehicles and its reasonableness for the avoidance of unnecessary energy consumption. Additionally, it carries out detailed inspection and maintenance for all vehicles on a regular basis to ensure that the vehicles are in good working condition and the emissions meet the legal requirements. Apart from that, the Site used diesel with lower greenhouse gas emission coefficient in addition to lead-free gasoline in an attempt to reduce the emissions of greenhouse gases.

In terms of wastes, no hazardous waste was generated during the production and operation of the Site as described above. During the Reporting Period, the Site generated approximately 18 tons of non-hazardous domestic waste, representing a year-on-year decrease of about 10.00% from 20 tons. The Group's target is to further reduce the wastes generated where practicable, and to maximise the effect of waste recycling. To be more specific, the Group will constantly encourage its employees to reduce the amount of rubbish generated and to enhance the recycling efficiency of domestic waste. The Group has established detailed regulations on garbage recycling and management to ensure the effective recycling and disposal of various wastes. For example, a specialised garbage collection station has been set up in the Site to sort the wastes from the production workshops, warehouses, offices, dormitories and other areas of the Site into recyclables, non-recyclables and production tailings. External cleaning companies are also engaged to carry out collection or harmless treatment of the sorted wastes.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.2 Use of Resources

The Site uses electricity and water in its production and operation areas as well as its employees' living area. During the Reporting Period, the total electricity consumption of the Site was 1,377,102 kWh, representing a slight year-on-year increase of approximately 3.36% as compared with 1,332,277 kWh in 2019; water consumption was 17,113 m^3, representing a year-on-year decrease of approximately 14.70% as compared with 20,061 m^3 in 2019. The Group's target is to further reduce unnecessary resources consumption where practicable while trying its best to maintain the current resources consumption level. With reference to the *Law of the People's Republic of China for Energy Saving*, the Group has formulated internal management policies and relevant instructions on the use of electricity and water. In terms of the use of electricity, the Group's policy is based on the principles of safety and energy conservation. The engineering and maintenance department is responsible for the regular inspection and maintenance of relevant production, office and living equipment to ensure that all equipment is in the best working condition to reduce unnecessary electricity consumption. At the same time, the Group requires the employees to conserve electricity in the production and dormitory areas, including turning off the equipment or reducing its standby time during non-use hours, making good use of indoor lighting, etc. In respect of the use of water resources, while promoting water conservation and efficiency through active management indicators, the Group conducts monthly measurement and regular review on the Site's water consumption, and encourages the employees to save water.

The Group mainly uses cardboard, stretch films and wooden boards to pack its products for shipment. During the Reporting Period, the total consumption of such materials was 198.55 tons, representing a slight increase of 4.21% as compared with 190.53 tons of last year. The total consumption of the wooden boards, the most-used packaging materials, was 195 tons. At the same time, the Group stopped using the PE plastic bags which are difficult to be degraded to minimise the potential harm to the environment during the Reporting Period. And the Group consistently procures concise and recyclable materials when selecting packaging materials.

Reporting Standards and Scope (Continued)

A. Environmental (Continued)

A.3 The Environment and Natural Resources

The Group's operation has no direct significant impact on the environment and other natural resources. The Group has always adhered to the concept of "going green and low-carbon" and strived to implement the concept to every business segment. The Group strives to minimise its impact on the environment by formulating relevant policies and procedures and adopting various energy saving and emission reduction measures to achieve higher energy efficiency.

A.4 Climate Change

The Site is located in Shenzhen City, Guangdong Province, while the Group's major customers and suppliers are located in South China. After reviewing the business characteristics and business scope of the Group as well as the geographical environment of the Group's supply chain locations, the management believes that there is a low likelihood that all kinds of extreme weather may have significant impacts on the Group's production and operating activities and supply chain. However, the Group has formulated countermeasures against the emergency risks which may be caused by extreme weather, so as to minimise the adverse impacts.

Affected Area(s)	Extreme weather	Countermeasures
Production and operation	Typhoon	Pay close attention to the early warning signals sent by the government and meteorological agencies, and stop outdoor operations when necessary to ensure that employees stay in indoor safe places.
	High temperature	Avoid outdoor operations under high temperature as required by the local labour laws, and provide drinks to employees when necessary for relieving summer heat and reducing the chance of sunstroke.

Reporting Standards and Scope (Continued)

B. Social

B.1 Employment and Labour Practices

Employees are one of the most important source of an enterprise's core competitiveness. Adhering to the "people-oriented" management philosophy, the Group emphasises and values the development of its employees, safeguards their rights and interests, protects their health and safety, and cares about their life while highlighting the corporate values of "creating, sharing, undertaking and conveying". We believe that the enterprise can keep making progress in a diversified and harmonious environment. In strict compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China* and other laws and regulations, the Group enhances the rights and interests of the employees regarding their remuneration, benefits, rest time and other aspects by continuously improving its systems and mechanisms. The Group strives to create the best internal environment for the development of all employees.

In respect of employee recruitment and promotion, the Group treats all the candidates fairly and implements a flexible remuneration system, in which factors such as employee qualifications, capabilities, market wage levels and corporate profits are considered. At the same time, the Group values and cares about the employees in difficulties and female employees, and expresses care through its policies and mechanisms to safeguard their legal rights and interests. The Group also provides the employees with various welfare benefits, including festivals benefits, birthday benefits, occupational health check and physical examinations, and gives them subsidies on meals, transportation, telephone charges, etc. In addition, the Group attributes its success to its employees, and offers cash incentives to the individuals and teams who have made prominent contributions to the development of the Company.

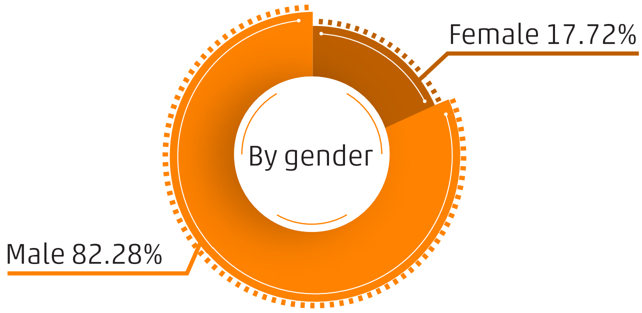
At the same time, the Company strictly complies with relevant laws and regulations, and standardises the management of working hours, rest time and leaves through system requirements and contract terms, with a view to protecting the legal rights and interests of the employees in respect of labour remuneration, working hours, rest time and leaves, etc. During the Reporting Period, the Group did not violate any local government policies on employees' salaries.

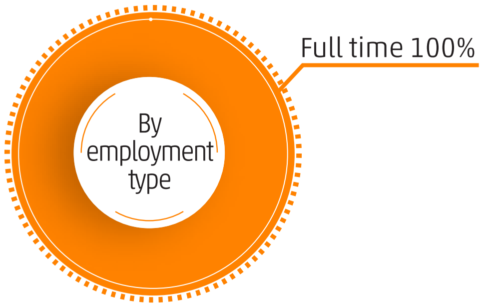
Reporting Standards and Scope (Continued)

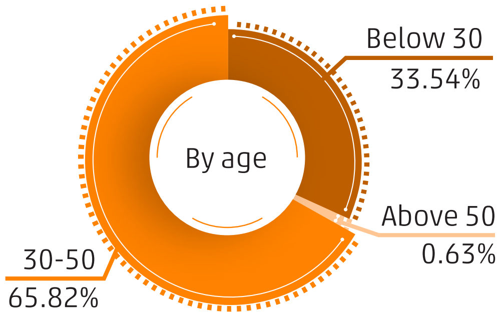
B. Social (Continued)

B.1 Employment and Labour Practices (Continued)

In respect of employee recruitment and promotion, the Group treats all the candidates fairly and does not assess them in terms of age, sex, race, marital status, religion, nationality, physical disability, sexual orientation or political background, etc. During the Reporting Period, the Site had 316 employees in total, which may be grouped by gender, employment type and age as follows:





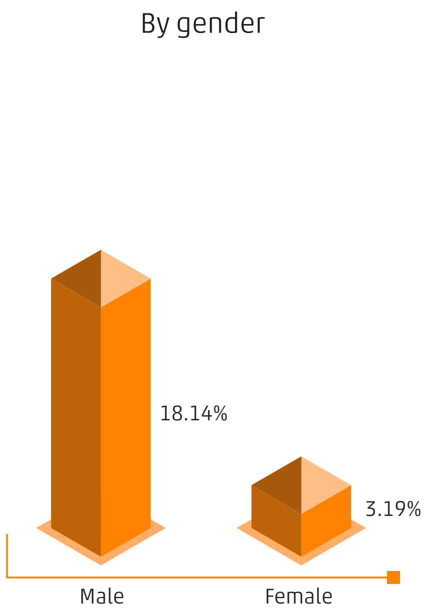


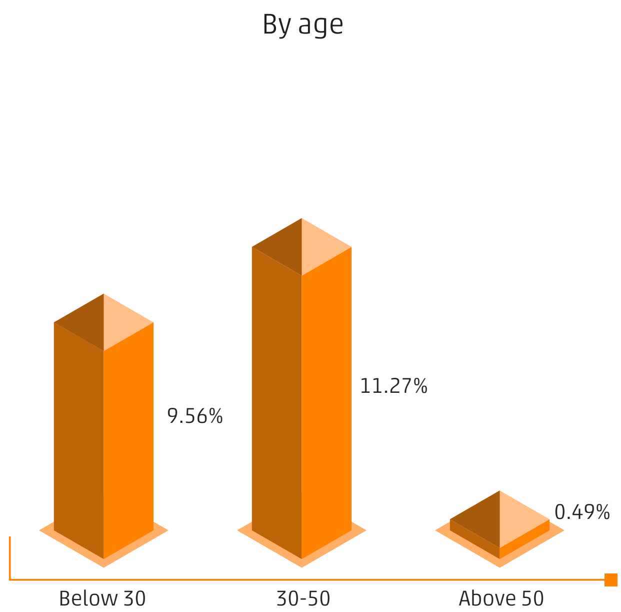
Reporting Standards and Scope (Continued)

B. Social (Continued)

B.1 Employment and Labour Practices (Continued)

A stable working environment helps to lower the employee turnover rate, which is of some importance to the stable development of an enterprise and the maintenance and improvement of its productivity. The Group offers competitive remuneration and benefits to its employees. Meanwhile, it also provides sufficient on-the-job training to its employees, solicits opinions on the relevant policies or jobs from its employees on a regular basis, and provides them with better growth and development opportunities to further lower the employee turnover rate. During the Reporting Period, the Group's employee turnover rates grouped by gender and age are as follows:





Since the Report covers only the Group's production park in Shenzhen City, Guangdong Province where all employee turnovers occurred, the employee turnover rate didn't need to be grouped by region.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.2 Employee Health and Safety

The Group strictly abides by the *Labour Law of the People's Republic of China*, cares about the physical and mental health of the employees, actively provides them with a safe and comfortable working environment, and encourages them to achieve work-life balance.

The Group has formulated the *Safety Management System* and the *Comprehensive Contingency Plan* to systematically manage production safety, and established the *Safe Operation Procedures* based on the characteristics of all positions to provide clear guidance for the safety requirements of each production procedure. In addition, the Group has also developed the *Equipment Upkeep and Maintenance Standards*, under which the employees are required to perform daily inspection of the equipment according to the relevant standards. For the canteen in the Site, the Group regularly conducts careful inspection on the food hygiene and safety of the contractors to create a good dining environment and ensure the food quality for the employees. For the staff accommodation area in the Site, the Group regularly evaluates the hygiene conditions and safety indicators of the dormitory, and repairs and replaces indoor supplies in a timely manner, thus providing a clean and safe living environment for the employees.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.2 Employee Health and Safety (Continued)

The Group adheres to the principle of safety and risk prevention in the production process management. The Group has systematically implemented various safety management policies and strives to reduce the risk of accidents in production and operation with a more rigorous attitude. In the past three years, there were no work-related fatalities, only one case of work-related injury was recorded, and the number of working day(s) lost due to work-related injury was only one day.

B.3 Development and Training

The Group is committed to continuously improving the quality of its employees and establishing itself as a learning enterprise. The Group provides internal and external training for its employees, covering intermediate and advanced management courses and practical courses such as supply chain management, quality control, research and development innovation, cost reduction and efficiency improvement, performance management and warehouse practices. At the same time, while reinforcing on-the-job training for front-line positions, the Group stepped up efforts to improve the skills of different department positions and share knowledge across departments, to enhance all employees' understanding of the Group in various aspects such as culture, strategy, management system, and technology, regarding "training" as the greatest benefit for its employees, and encouraging all employees to make "continuous learning and improvement" as part of their job and daily life. In 2020, all employees of the Group have received one or more job-related training sessions, representing a 100% training rate for the Group's employees, regardless of gender or employee category. During the Reporting Period, the Group conducted 85 training sessions with a total of 936 participants.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.3 Development and Training (Continued)

In terms of training hours, the total number of hours of training received by the Group's employees during the Reporting Period was 1,639 hours and the total number of hours for training courses was 182.3 hours. The average number of hours of training completed per employee by gender and employee category is as follows:

Gender	Total number of training hours	Number of employees	Average number of training hours
Male	1,310	260	5.04
Female	329	56	5.88

Employee category	Total number of training hours	Number of employees	Average number of training hours
Manager and above	28	30	0.93
Technical and operational staff	1,611	286	5.63

B.4 Labour Standards

The use of child labour and forced labour violates basic human rights and international labour conventions, and poses a threat to sustainable social and economic development. The Group prohibits the use of child labour and forced labour in any workplace and has developed relevant human resources policies and guidelines. During the Reporting Period, the Group abided by the employment regulations and strictly complied with the L*aw of the People's Republic of China on the Protection of Minors* and the *Provisions on the Prohibition of Using Child Labour*, and did not employ any child labourers. The employment and dismissal of the Group's employees are handled in accordance with the procedures stipulated by the Human Resources Department, and any changes in the working hours and positions of employees during their employment are subject to the consent of the employees. The Group also has an internal monitoring mechanism and accepts reports on irregularities and violations, and will deal with any irregularities in real time once they are found out. During the Reporting Period, the Group did not use any forced labour.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.5 Supply Chain Management

The Group enhances the quality of its products and operations through strict supply chain management. The Group has developed a sound management mechanism to select, evaluate and continuously assess suppliers so as to perform the procurement process in a fair and open manner and meet the procurement needs. Supplier assessment of the Group covers the capability to deliver products and services, the technical standards of supplied materials, quality assurance capability and the trial of material samples. For particular materials, suppliers are also required to sign an environmental guarantee agreement to ensure that the materials fulfil the relevant environmental management requirements for substances and the labeling requirements, and do not contain any hazardous chemical substances specified by the Group.

The Group also continuously conducts regular assessment on existing suppliers by comparing their supply prices, delivery conditions, quality of materials, percentage of environmentally friendly products used and services with the prevailing market levels, in order to ensure the continuous supply of quality products and services at reasonable prices. Many of the Group's departments, including procurement, research and development, quality control and production, are involved in the assessment of relevant suppliers to ensure that the procedures are carried out in an equal, reasonable and transparent manner.

The number of suppliers of the Group by region is as follows:

Region	Number of suppliers
South China	668
North China	8
East China	10
Overseas	4

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.6 Product Responsibility

Adhering to the quality-first philosophy and emphasising customer experience, the Group is committed to providing customers with good service experience and high-quality products. In order to ensure product quality and service level, the Group has formulated a series of internal management regulations based on the characteristics of major products, covering such procedures as product design, incoming inspection, product production, finished product inspection, product packaging, shipment, installation, and aftersales service, to meet customer requirements and ensure compliance with relevant local and international standards as well as relevant laws and regulations. The Group has detailed product inspection and control procedures to ensure that the materials and semi-finished and finished products in the production process meet the required quality requirements. The inspection process includes first piece inspection, that is: (1) in the case of the first mass production of new products, (2) the start of production of each batch; and (3) when there are technical changes in the product structure, the R&D Department or the Production Department will provide the first piece of the product for inspection purposes. In addition, there are also procedures for self-inspection, mutual inspection, and roving inspection among departments, and if any quality problems are found, they will be handled in real time according to the *Unqualified Products Control Procedures*. For some items that cannot be inspected by the quality department, the quality department will notify the purchasing department in a timely manner and ask the supplier to attach relevant quality assurance-related certificates with the products. If the sold products are proved to have quality problems, the Group will also arrange for recall timely. During the Reporting Period, the Group sold or shipped a total of 1,815 products, none of which was subject to recall for safety or health reasons. During the Reporting Period, the Group received a total of 3 complaints about the products and services. The Group has an after-sales service team to respond to customers' inquiries, feedback, and complaints. All complaints will be specifically recorded in the internal system so that the status and progress of handling complaints can be monitored at any time.

The Group has an intellectual property management policy and uses various knowledge databases and patent databases to store information, and has built a list of related structures with corresponding user rights. The intellectual assets of the Group, such as intellectual property and goodwill, are collected, organised, and maintained by the Public Relations Officer. The Group has also formulated stipulations on confidentiality, under which the customer information obtained in the course of business is kept strictly confidential and used in accordance with relevant laws and regulations, and confidentiality clauses are included in customer contracts to prevent the leakage of confidential or private information. All employees of the Group who have access to customer data are subject to the confidentiality agreement.

Reporting Standards and Scope (Continued)

B. Social (Continued)

B.7 Anti-corruption

The Group highly values professional conduct and integrity, and all businesses comply with the *Prevention of Bribery Ordinance* in Hong Kong and the relevant laws and regulations in Mainland China against corruption, money laundering and bribery, such as the *Provisions on the Integrity for Officials of State-owned Enterprises*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. The Group also provides anti-corruption related training to its directors and employees on a regular basis to enhance their awareness of anti-corruption. Employees must report any instances of corruption, bribery, extortion, or money laundering to the Board, who will investigate the matter in conjunction with the relevant authorities, depending on the specific incident.

The Group believes that the above measures are necessary for the long-term sustainable development of the Company, and hence can win the trust of the employees, customers, suppliers and shareholders under open standards. During the Reporting Period, there were no corruption lawsuits filed and concluded against the Company or its employees.

B.8 Community Investment

The development of an enterprise is dependent on the harmony and stability of society. The Group, as an enterprise that values social responsibilities, has been actively participating in social construction. Due to the impact of COVID-19, fewer volunteer activities were carried out during the Reporting Period than in previous years, but the Site still participated in community charity activities as much as possible, including extending warm regards to the front-line staff in the quarantine hotel, participating in traffic safety improvement inspections in the district, visiting enterprises resuming work and production, and other local social activities. During the Reporting Period, the Group endeavoured to assume social responsibilities, making charitable donations of approximately RMB60,000 and devoting approximately 512 hours of time.

Looking to the future, while striving to help improve community wellbeing, the Group will encourage the employees to take part in volunteer activities for the common development of the enterprise and the public welfare of the community.

pwc

羅兵咸永道

To the Shareholders of Sino ICT Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Sino ICT Holdings Limited (the "Company" or "Sino ICT") and its subsidiaries (the "Group") set out on pages 71 to 165, which comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of changes in equity for the year ended 31 December 2020;
- the consolidated statement of cash flows for the year ended 31 December 2020; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows as at that date in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of receivables Refer to Note 4 Critical Accounting Estimates and Judgements and Note 21 Trade Receivables of the consolidated financial statements. As of 31 December 2020, stated in the consolidated balance sheet that the total trade and bill receivables of the Group amounted to HK$99,990,000, the provision for impairment on trade receivables was amounted to HK$5,715,000. The Group considered the credit history of the customers and the analysis and assessment on the latest market and business operations updates, and did grouping according to the common characteristics and ageing of credit risk and made provision of impairment of trade and bill receivables by adopting the expected loss of the entire credit loss period of the trade receivables. We focused on these areas as its significance and the assessment for impairment of trade receivables involves critical accounting estimates and judgements.	The inherent risk factors we considered in assessing the risk of material misstatement include the extent of estimation uncertainty and other inherent risk factors such as complexity and subjectivity of estimates, and the sensitivity to misstatement resulting from management bias or fraud in making accounting estimates. Regarding the impairment of trade receivables, we performed the following procedures: • Understood and evaluated the Group's internal controls over the process of identifying events or circumstances give rise to impairment on trade receivables and the respective impairment assessments, and tested relevant key internal controls; • Evaluated whether the model and method used by th e management for calculating the expected credit loss meets the accounting standards; • Evaluated whether the management made reasonable judgement on the grouping of trade receivables and the characteristics of common risks;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Evaluated the rationality of the interval selection of historical reference and verified the reliability of key data used to calculate historical default rate, including historical credit loss data of each combinations, distribution data of trade receivables throughout the duration and other parameters; • Understood the factors that management considered in forward-looking information forecasts, including forecasts of future economic, market conditions, and customer conditions, and assess their rationality; • Obtained the calculation files by the management for calculating the expected credit losses for different combinations and verified the accuracy of their calculations. Based on the procedures performed and evidence obtained, we found the accounting estimates and judgements in relation to the provision for impairment of trade receivables were supported by the evidence we obtained.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with HKSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is YAO Wenping.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the Year ended 31 December 2020 HK$'000	For the Year ended 31 December 2019 (Restated) HK$'000
Revenue and gain on securities investment	5	270,560	201,163
Cost of sales	8	(136,078)	(116,839)
Gross profit and gain on securities investment		134,482	84,324
Other income	6	11,706	14,401
Other gains/(losses), net	7	3,724	(1,126)
Distribution costs	8	(47,559)	(35,534)
Administrative costs	8	(67,657)	(59,110)
(Provision for)/reversal of impairment of trade receivables	8	(910)	4,516
Operating profit		33,786	7,471
Finance income	10	463	236
Finance costs	10	(18,617)	(17,720)
Finance costs, net	10	(18,154)	(17,484)
Share of results of associate(s)	13(b)	9,617	3,211
Profit/(loss) before income tax		25,249	(6,802)
Income tax expense	11	(5,599)	(4,809)
Profit/(loss) for the year attributable to equity holders of the Company		(19,650)	(11,611)

	Notes	For the Year ended 31 December 2020 HK$'000	For the Year ended 31 December 2019 (Restated) HK$'000
Other comprehensive income			
Item(s) that will not be reclassified subsequently to profit or loss			
Loss arising from conversion from owner-occupied property to investment property		–	(773)
Item(s) that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		218	(1,218)
Other comprehensive income/(loss) for the year, net of tax		**218**	(1,991)
Total comprehensive income/(loss) for the year		**19,868**	(13,602)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**19,868**	(13,602)
Basic earnings/(losses) per share	12	**1.35 Cents**	(0.80) Cents
Diluted earnings/(losses) per share	12	**1.35 Cents**	(0.80) Cents

The notes on pages 78 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 (Restated) HK$'000	As at 1 January 2019 (Restated) HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	**73,146**	73,939	102,782
Investment property	15	**26,943**	25,049	–
Right-of-use assets	16	**27,290**	36,087	9,251
Intangible assets	17	**22,281**	14,134	5,868
Deferred income tax assets	31	**9,578**	11,947	13,534
Other non-current assets		**4,904**	–	2,410
Investment in associate(s)	13(b)	**247,684**	238,067	234,856
		411,826	399,223	368,701
Current assets				
Inventories	18	**35,227**	27,786	36,385
Trade receivables and other receivables	21	**145,909**	53,242	41,580
Tax reserve certificates and pending deduct VAT on purchase		**–**	16,645	5,325
Financial assets at fair value through profit or loss	20	**43,635**	157,573	137,339
Security and restricted deposits	23	**–**	1,571	2,279
Cash and cash equivalents	22	**116,609**	43,408	43,305
		341,380	300,225	266,213
TOTAL ASSETS		**753,206**	699,448	634,914
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital and share premium	24	**240,740**	240,740	240,740
Other reserves	26	**610,114**	609,896	611,887
Accumulative losses	25	**(541,640)**	(561,290)	(549,679)
TOTAL EQUITY		**309,214**	289,346	302,948

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 (Restated) HK$'000	As at 1 January 2019 (Restated) HK$'000
LIABILITIES				
Non-current liabilities				
Long-term borrowings	28	92,103	–	–
Convertible bonds	30	–	129,978	118,463
Lease liabilities	16	8,357	18,057	–
Deferred income	32	1,163	1,249	4,565
Deferred income tax liabilities	31	6,966	6,501	3,253
		108,589	155,785	126,281
Current liabilities				
Trade payables and other payables	27	111,316	82,870	74,333
Contract liabilities	29	56,097	7,901	12,092
Short-term borrowings	28	1,899	100,958	68,478
Lease liabilities	16	10,360	9,349	–
Income tax payables		13,164	53,239	50,782
Non-current liabilities due within one year	30	142,567	–	–
		335,403	254,317	205,685
TOTAL LIABILITIES		443,992	410,102	331,966
TOTAL EQUITY AND LIABILITIES		753,206	699,448	634,914

The notes on pages 78 to 165 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 71 to 165 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

DU Yang
Director

XIA Yuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share Capital HK$'000	Share Premium HK$'000	Other Reserves HK$'000 (Restated)	Accumulated Losses HK$'000 (Restated)	Total equity HK$'000 (Restated)
Balance as 31 December 2019 (Restated)		145,500	95,240	609,896	(561,290)	289,346
Comprehensive income						
Gain for the year		–	–	–	19,650	19,650
Exchange differences on translation of foreign operations		–	–	218	–	218
Total comprehensive income		–	–	218	19,650	19,868
Balance as at 31 December 2020		145,500	95,240	610,114	(541,640)	309,214

	Notes	Share Capital HK$'000	Share Premium HK$'000	Other Reserves HK$'000 (Restated)	Accumulated Losses HK$'000 (Restated)	Total equity HK$'000 (Restated)
Balance as at 31 December 2018		145,500	95,240	674,140	(586,756)	328,124
Change in accounting policy	2	–	–	(62,253)	37,077	(25,176)
Balance as at 1 January 2019 (Restated)		145,500	95,240	611,887	(549,679)	302,948
Comprehensive loss						
Loss for the year (Restated)		–	–	–	(11,611)	(11,611)
Loss arising from conversion from owner-occupied property to investment property (Restated)		–	–	(773)	–	(773)
Exchange differences on translation of foreign operations (Restated)		–	–	(1,218)	–	(1,218)
Total comprehensive loss Restated		–	–	(1,991)	(11,611)	(13,602)
Balance as at 31 December 2019 (Restated)		145,500	95,240	609,896	(561,290)	289,346

The notes on pages 78 to 165 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Cash flows from operating activities			
Cash used in operations	33(a)	(8,089)	(16,560)
Interest paid		(4,983)	(5,837)
Interest received		463	236
Income tax paid		(26,535)	(521)
Net cash used in operating activities		(39,144)	(22,682)
Cash flows from investing activities			
Purchase of intangible assets, property, plant and equipment		(8,997)	(10,755)
Proceeds from disposal of property, plant and equipment	33(b)	547	807
Expenses in purchase investment products		–	(66,900)
Proceeds from redemption of investment products		133,705	67,060
Decrease in security and restricted deposits		1,571	708
Cash dividend received	6	–	1,384
Net cash generated from/(used in) investing activities		126,826	(7,696)
Cash flows from financing activities			
Proceeds from borrowings	33(c)	94,002	167,858
Repayment of borrowings	33(c)	(100,958)	(135,378)
Rental payment	33(c)	(7,602)	(1,888)
Net cash (used in)/generated from financing activities		(14,558)	30,592
Net increase in cash and cash equivalents		73,124	214
Cash and cash equivalents at the beginning of the year	22	43,408	43,305
Exchange gains/(losses) on cash and cash equivalents		77	(111)
Cash and cash equivalents at the end of the year		116,609	43,408

The notes on pages 78 to 165 are an integral part of these 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 at Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (collectively the "Group" hereafter) are principally engaged in SMT equipment manufacturing and securities investment. The principal businesses of the subsidiaries of Company are set out in Note 13(a) to these consolidated financial statements.

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

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

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable requirements under Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

(a) The revised standards adopted by the Group

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

- Amendment to HKFRS 3 – Definition of Business

- Revised to Conceptual Framework for Financial Reporting

- Amendments to HKAS 1 and HKAS 8 – Definition of Material

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

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) Amendments that have not yet been adopted

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

	Effective for annual periods beginning on or after
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Annual improvements to HKFRSs Standards 2018-2020	1 January 2022
Amendments to HKAS 1 – Classification of liabilities as current or no-current	1 January 2023

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

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies

The major properties and plants held by the Group include the properties of 日東電子設備有限公司, the properties of 日東智能裝備科技(深圳)有限公司 and the properties of 日東電子發展(深圳)有限公司, which are the subsidiaries of the Group. Prior to the change in accounting policy, the Group adopted the revaluation model to measure its properties and plants. The Group regularly reviews the accounting policies as the Group's major shareholders, customers, suppliers and other listed companies in the same industry generally use the historical cost model to measure the properties and plants they own, the Group thus changed its existing accounting policy for properties and plants to historical cost model. After the change in accounting policy, the Group uses the historical cost model to measure the properties and plants, which are stated at cost less accumulated depreciation and impairment losses. According to HKAS 8, the Company is required to make retrospective adjustments and restatement of the consolidated financial statements of the Group for the year ended 31 December 2019, and the principal impact on the consolidated financial conditions for the year ended 31 December 2019 and the consolidated financial performance of that year include: (1) an increase in total comprehensive loss of approximately HK$247,000; (2) a decrease in total assets of approximately HK$31,823,000; (3) a decrease in total equity of approximately HK$25,423,000; and (4) a decrease in total liabilities of HK$6,400,000. Other than the abovementioned reason, the restatement of the consolidated financial statements of the Group for the year ended 31 December 2019 was not attributable to any other factors.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies (Continued)

	As at 31 December 2020 HK$'000	Impact of accounting policy changes HK$'000	As at 31 December 2020 (Adjusted) HK$'000
Assets			
Property, plant and equipment	106,888	(33,742)	73,146
Total assets	786,948	(33,742)	753,206
Equity			
Other reserves	677,586	(67,472)	610,114
Accumulated losses	(582,014)	40,374	(541,640)
Total equity	336,312	(27,098)	309,214
Liabilities			
Deferred income tax liabilities	13,610	(6,644)	6,966
Total liabilities	450,636	(6,644)	443,992

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies (Continued)

	As at 31 December 2019	Impact of accounting policy changes	As at 31 December 2019 (Restated)
	HK$'000	HK$'000	HK$'000
Assets			
Property, plant and equipment	105,762	(31,823)	73,939
Total assets	731,271	(31,823)	699,448
Equity			
Other reserves	674,358	(64,462)	609,896
Accumulated losses	(600,329)	39,039	(561,290)
Total equity	314,769	(25,423)	289,346
Liabilities			
Deferred income tax liabilities	12,901	(6,400)	6,501
Total liabilities	416,502	(6,400)	410,102

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies (Continued)

	As at 1 January 2019 HK$'000	Impact of accounting policy changes HK$'000	As at 1 January 2019 (Restated) HK$'000
Assets			
Property, plant and equipment	139,115	(36,333)	102,782
Total assets	671,247	(36,333)	634,914
Equity			
Other reserves	674,140	(62,253)	611,887
Accumulated losses	(586,756)	37,077	(549,679)
Total equity	328,124	(25,176)	302,948
Liabilities			
Deferred income tax liabilities	14,410	(11,157)	3,253
Total liabilities	343,123	(11,157)	331,966

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies (Continued)

	Year ended 31 December 2020 HK$'000	Impact of accounting policy changes HK$'000	Year ended 31 December 2020 (Adjusted) HK$'000
Administrative costs	(69,412)	1,755	(67,657)
Operating profit	32,031	1,755	33,786
Profit before income tax	23,494	1,755	25,249
Income tax expense	(5,179)	(420)	(5,599)
Profit for the year attributable to equity holders of the Company	18,315	1,335	19,650
Other comprehensive income			
Item(s) that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of properties	3,989	(3,989)	–
Deferred tax relating to revaluation surplus	596	(596)	–
Item(s) that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(2,264)	2,482	218
Other comprehensive income for the year, net of tax	2,321	(2,103)	218
Total comprehensive income for the year	20,636	(768)	19,868
Basic earnings per share	1.25 Cents	0.10 Cents	1.35 Cents
Diluted earnings per share	1.25 Cents	0.10 Cents	1.35 Cents

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(c) Changes in accounting policies (Continued)

	Year ended 31 December 2019	Impact of accounting policy changes	Year ended 31 December 2019 (Restated)
	HK$'000	HK$'000	HK$'000
Administrative costs	(61,813)	2,703	(59,110)
Operating profit	4,768	2,703	7,471
Loss before income tax	(9,505)	2,703	(6,802)
Income tax expense	(4,068)	(741)	(4,809)
Loss for the year attributable to equity holders of the Company	(13,573)	1,962	(11,611)
Other comprehensive income			
Item(s) that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of properties	362	(362)	–
Deferred tax relating to revaluation surplus	82	(82)	–
Loss arising from conversion of owner-occupied property to investment property	–	(773)	(773)
Item(s) that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(226)	(992)	(1,218)
Other comprehensive loss for the year, net of tax	218	(2,209)	(1,991)
Total comprehensive loss for the year	(13,355)	(247)	(13,602)
Basic losses per share	(0.93) Cents	0.13 Cents	(0.80) Cents
Diluted losses per share	(0.93) Cents	0.13 Cents	(0.80) Cents

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for subsequent recognition of retained interest as associates, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (Continued)

2.3 Associates

Associates means the entities over which the Group has significant influence but no control and in which the Group generally owns equity with 20% - 50% voting rights. The associate investment is recorded with equity method. Based on the equity method, the investment will be recognised at cost initially, and the carrying value will be increased or reduced to recognise the share of the investor in the profit and loss of the investee after the acquisition date. The investment of the Group in the associate includes the goodwill identified upon acquisition. The difference between the acquisition cost and the net fair value of the identifiable assets and liabilities of the associate attributable to the Group upon the investment in associate is recognised as the goodwill.

If the equity holding in associate is reduced but significant influence is maintained, the amount recognized previously in other comprehensive income will be reclassified into profit and loss on a pro rata basis (if appropriate).

The profit or loss of the associate attributable to the Group after the acquisition is recognised in the income statement and the change of other comprehensive income attributable to the Group after the acquisition is recognised in other comprehensive income, with the investment carrying value adjusted correspondingly. If the loss of an associate attributable to the Group is equal to or more than its equity in the associate, incuding any other unsecured receivables, the Group will not recognise any further loss, unless the Group has incurred legal or presumed liability for associate or made payment on behalf of the associate.

The Group will determine on each reporting date if there is any objective evidence to prove the impairment of the assoicate investment. If the investment has been impaired, the Group will calculate the impairment, which is the difference between the recoverable amount of the associate and its carring value, and recognise it beside the "Share of results of associates" in the consolidated statements of comprehensive income.

The profit and loss of the downstream and upstream transactions between the Group and the associate will be recognised in the financial statement of the Group, but only for the equity amount of the unrelated investor in the associate. Unless the transaction evidence proves that the transferred value has been impaired, the unrealised loss will be set off. The accounting policies of the associate have been changed as needed, in order to ensure the consistency with the policies adopted in the Group.

2 Summary of Significant Accounting Policies (Continued)

2.3 Associates (Continued)

The profit or loss from the dilution of the equity of the associate is recognised in the income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Director that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency. The functional currency of the subsidiaries of the Company includes Renminbi and Hong Kong dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in tthe profit or loss.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents are presented under the "finance income or costs" in the consolidated statement of comprehensive income. All other foreign exchange gains and losses are presented under "other gains/(losses), net" in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities measured at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2 Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and costs for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Resulting currency translation differences are recorded in other comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.6 Property, plant and equipment

All properties, plants, machinery and equipment, furniture, fixtures and property decoration, computer software and motor vehicles are stated at historical cost less accumulated depreciation and impairment losses. Historical costs include expenses directly related to the acquisition of assets. Post-period costs are included in the carrying amount of asset or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method based on costs or revaluation (net of residual value) of assets over their estimated useful lives. The Group's equipment is amortised using the straight-line method over their estimated useful lives as follows:

– Property and plant	21-50 years
– Machinery and equipment	5-10 years
– Furniture, fixtures and property decoration	5-10 years
– Computer software	3-10 years
– Motor vehicles	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.7 Investment properties

Investment properties comprise leasehold property that is held for long-term rental income or for capital appreciation or both, and that is not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and, where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined by external valuers at each reporting date. Fair value is based on active market prices, and adjusted for any difference in nature, location or condition of the specific asset, if necessary. If the information is not available, the Group adopts alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in "other gains/(losses), net".

When a property for own use becomes an investment property for rental income or capital appreciation, the property or the plant is transferred to investment property on the date of change, and the fair value of the property on the date of change is recognised as the carrying amount of the investment property. When the fair value of the property is lower than the carrying amount of the property and the plant on the date of change, the difference is charged/credited to profit or loss for the current period. If such property has had a former revaluation appreciation, the revaluation appreciation shall be written down immediately. Where the fair value is greater than the original carrying amount of the property and the plant on the date of change, the difference within the original provision for impairment is charged/credited to profit or loss for the current period, and is limited to the carrying amount on the date of change as if no provision for impairment is made, and the remaining of difference will be charged/credited to other comprehensive income.

2.8 Land use rights

Land use rights represent up-front payments to acquire long-term interest in the usage of the land, and are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms of fifty years.

2 Summary of Significant Accounting Policies (Continued)

2.9 Intangible assets

Research and development costs

Expenses associated with research activities are recognised as a cost as incurred. When and only when the subject can meet the following criteria, project development costs (related to design and test of new and improved products) should be recognised as intangible assets:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell;
- the Group has the ability to use or sell the intangible asset;
- It can be confirmed that how can such intangible assets generate future economic benefits, which are likely to occur.
- the Group has adequate technical, financial and other resources to complete and use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Costs that can be directly capitalised include the employee costs, material costs and appropriate part of management costs developed from intangible assets. Capitalised development costs are recorded as intangible assets, and from the time the asset is ready for use, it is amortised on the straight-line basis over its estimated useful lives (not more than 10 years). Other development expenditures that do not meet these criteria are recognised as a cost as incurred. Development costs that have been previously recognised as costs will not be recognised as assets in the future.

2 Summary of Significant Accounting Policies (Continued)

2.10 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets according to the following measurement categories:

- measurement at fair value subsequently (at fair value through either other comprehensive income, or profit or loss), and

- financial assets measured at amortised cost.

The classification depends on the entity's business model for managing the financial asset and the characteristics of the contractual cash flow of such asset.

For financial assets measured at fair value, gains and losses are recognised in profit or loss or other comprehensive income. For a non-trading equity instrument investment, the measurement of its gains and losses will depend on whether the Group makes an irrevocable election at initial recognition and designated it at fair value through other comprehensive income.

The Group reclassifies debt investments only when the business model governing these assets changes.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(b) Recognition and derecognition

Purchases and sales of financial assets in regular way are recognised on the trade date. The trade date means the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred almost all risks and rewards of ownership.

(c) Measurement

For financial assets that are not classified as at fair value through profit or loss, the Group, at initial recognition, measures it at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs relates to financial assets, which are measured at fair value through profit or loss are recognised in profit or loss.

Debt instrument

Subsequent measurement of a debt instrument depends on the business model in which the Group manages the asset and the cash flow characteristics of the asset. The Group classified debt instruments into the following three measurement categories:

<u>Measured at amortised cost</u>: For an asset held in order to collect contractual cash flows, the asset is measured at amortised cost if the contractual cash flow represents only the payment of principal and interest. Interest income from such financial assets is calculated using the effective interest rate method and counted in financial income. Gains or losses arising from the derecognition are recognised directly in profit or loss and are included in "other gains/(losses), net" together with exchange gains and losses. Impairment losses are presented in profit or loss in separate accounts.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(c) Measurement (Continued)

Measured at fair value through other comprehensive income: If the business model was to hold a financial asset to collect cash flows and for sell, the asset is classified as at fair value through other comprehensive income when the cash flow of the asset represents only the payment of principal and interest. Changes in carrying value recognise in other comprehensive income except impairment gains or losses, interest income, and foreign exchange gains and losses to be recognised in profit or loss. When these financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss and include in "other gains/(losses), net". Interest income of such financial assets is calculated using the effective interest rate method and counted in financial income. Exchange gains and losses are presented in "other gains/(losses), net", and impairment losses are presented in profit or loss in separate accounts.

Measured at fair value through profit or loss: Financial assets that are not conform to the standard of measuring at amortised cost or at fair value through other comprehensive income, are classified as measuring at fair value through profit or loss. For debt instrument subsequently measured at fair value through profit or loss, its gain or loss recognised in revenue.

Equity instrument

The Group carries out subsequent measurement of all equity investments at fair value. If the management of the Group chooses to include the fair value of equity investment through gains and losses into other comprehensive income, the fair value through gains and losses will not be recognised in profit or loss when such investment is derecognised. For dividends, when the Group has established the right to receive dividends, the dividends of such investments are included in profit or loss as other income.

For financial assets measured at fair value through profit or loss, changes in fair value are presented in operating revenue in the consolidated statement of comprehensive income. For equity investments that are measured at fair value through other comprehensive income, the impairment loss (and the reversal of impairment losses) will not be presented separately from other changes of fair value.

2 Summary of Significant Accounting Policies (Continued)

2.11 Financial assets (Continued)

(d) Impairment

For trade receivables, the Group uses the simplified method permitted by HKFRS 9 to measure the expected credit losses of the entire life of the trade receivables at initial recognition, please refer to Note 3.1(b) for details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is calculated by using weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overhead (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of Significant Accounting Policies (Continued)

2.14 Trade and bills receivables

Trade and bills receivables are amounts and bills due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets; otherwise they are classified as non-current assets.

Trade and bills receivables are initially recognised at the consideration without conditions, however, when it contains significant financing components, it needs to be initially recognised at fair value. The group holds trade receivables for the purpose of collecting contractual cash flows, so the trade receivables are subsequently measured at amortised cost using the effective interest rate method. Please refer to Note 21 for more information on the accounting treatment of the Group's trade receivables. Please refer to Note 3.1(b) for the Group's impairment policy.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and bills payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise they are classified as non-current liabilities.

Trade and bills payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of Significant Accounting Policies (Continued)

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the balance sheet date.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.20 Convertible bonds

Before 30 March 2017, convertible bonds (including related embedded derivatives) issued by the Group were measured at fair value, and changes in fair value were recognised directly in profit or loss when incurred. After 30 March 2017, the convertible bonds have been recognised as compound financial instruments in accordance with the amended agreement.

The compound financial instruments issued by the Group are convertible bonds that can be converted into share capital at the option of the holder, and the number of shares to be issued does not change with its fair value.

2 Summary of Significant Accounting Policies (Continued)

2.20 Convertible bonds (Continued)

If the convertible bonds holders convert the convertible bonds to share capital, and the number of shares to be issued does not vary with changes in their fair value, the convertible bonds are classified as compound financial instruments. The liability component of a compound financial instrument is recognised initially at the fair value then measured by amortized cost of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying value.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of Significant Accounting Policies (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of Significant Accounting Policies (Continued)

2.21 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

The Group adopts several pension plans including defined contribution plan, short-term employee benefits and termination benefits.

(a) Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Defined benefit plan is a pension plan without a fixed amount of contribution.

2 Summary of Significant Accounting Policies (Continued)

2.22 Employee benefits (Continued)

(b) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised by the Group (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

2.23 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Summary of Significant Accounting Policies (Continued)

2.23 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(a) Revenue generated from contracts with customers

The Group manufactures and sells a series of industrial products. When control of product has been transferred, that is when the entity of the Group has delivered the goods to the customer, the Group confirms product sales revenue if there are no unfulfilled obligations that may affect the customer's acceptance of the product. Delivery conditions are not satisfied until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have expired, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term of thirty to ninety days, which is consistent with the market practice.

2 Summary of Significant Accounting Policies (Continued)

2.24 Revenue recognition (Continued)

(b) Securities investment income

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category and dividend income from financial assets at fair value through profit or loss are presented in the profit or loss of the period.

2.25 Interest income

Interest income from financial assets measured at amortised cost is calculated using the effective interest method and recognised in the consolidated statement of comprehensive income. Interest income from financial assets held for cash management purposes is presented as financial income (please refer to Note 10), other interest income is included in other income.

2.26 Dividend income

The Group's dividends are derived from financial assets measured at fair value through profit or loss. When the Group has established the right to receive dividend, dividend is recognisd through profit or loss as other income. Even if the dividend is paid out from the pre-acquisition profit, this rule still applies unless the dividend clearly represents the recovery of part of the investment cost.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2 Summary of Significant Accounting Policies (Continued)

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Group.

A contract may contain a lease component and a non-lease components at the same time. The Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group acts as a lessee, the Group has decided not to separate the lease component and the non-lease component and will treat it as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including actual fixed payment amount), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate are initially measured using the index or rate as at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of a call option reasonably determined to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option.

Lease payments will also be included in the measurement of the liability when the Group is reasonably certain to exercise an option to extend the lease. The lease payments are discounted using the interest rate included in the lease. Generally, the interest rate included in the lease of the Group can not be readily determinable. Under this circumstance, the lessee's incremental borrowing rate will be used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar security condition during a similar period.

2 Summary of Significant Accounting Policies (Continued)

2.28 Leases (Continued)

To determine the incremental borrowing rate, the Group shall:

- where possible, use the third party financing received recently by the lessee as the base and make adjustments to reflect changes in the financing conditions after receiving financing from the third party;

- for leases held by companies which have not obtained financing from third parties recently, adopt the incremental approach with the risk-free interest rate as the base, and make adjustments for the credit risk of the leases; and

- make specific adjustments to the leases, such as lease term, country, currency and security.

The Group may be exposed to the risk of future increases in variable lease payments that depend on an index or a rate, in which case the variable lease payments will be included in the lease liability as they actually arise. When the lease payments are adjusted by an index or a rate, the lease liability should be revalued and adjusted based on the right-of-use asset.

Lease payments are apportioned between the principal and the finance cost. The finance cost is charged to profit or loss over the lease period so as to calculate the interest based on a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of amount of the lease liabilities;

- lease payments made at or before the commencement date less any lease incentives received;

- initial direct costs; and

- restoration costs.

2 Summary of Significant Accounting Policies (Continued)

2.28 Leases (Continued)

The right-of-use asset is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise the right of purchase, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Operating lease income received by the Group (as lessor) is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. The leased assets are included in the balance sheet based on their nature.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is conducted by senior management of the Group and approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Mainland China and Hong Kong, and the primary foreign exchange risk arises from financial instruments measured by currencies other than the functional currency of the Group. The functional currency of the Group's subsidiaries in Mainland China is Renminbi, and the functional currency of the Company and the Group's subsidiaries in Hong Kong and the immediate holding companies in other regions is Hong Kong dollar. The foreign exchange risk of the Group arises from the financial instruments of the Group's subsidiaires in Mainland China as measured by Renminbi, the financial instruments of the Company and the Group's subsidiaries in Hong Kong and other regions as measured by Hong Kong dollar and the Group's investments in foreign operations in Mainland China.

Foreign exchange risk arises when future commercial transactions or recognized asset or liabilities are denominated in a currency that is not the Group's functional currency. Currently, there are no hedging policies for the Group on transactions, assets and liabilities denominated in foreign currencies. The Group closely monitors and controls foreign exchange risk and considers engaging in hedging activities if there is significant foreign exchange risk.

As at 31 December 2020 and 31 December 2019, the amount of Renminbi assets and liabilities held by subsidiaries by the Group operating in Hong Kong and the amount of US dollar and Hong Kong dollar assets and liabilities held by subsidiaries of the Group operating in Mainland China are not significant, the foreign exchange winds faced by the Group are not significant therefore.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments in other entities are stocks publicly traded in the stock market. As at 31 December 2020, the equity investments of the Group consist of stocks that are traded in the Main Board of the Stock Exchange. Therefore, the Groups's profits and interests after tax would affected by the increased or decreased of the shares held by the Group. If the shares held by the Group had increased/decreased by 5%, with all other factors held constant, the Group's after-tax profit (i.e. equity) would have been increased/decreased by approximately HK$1,822,000 (the year ended 31 December 2019: HK$6,579,000).

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. As the remaining terms of the variable rate borrowings obtained are relatively short, therefore, the Group's fair value interest rate risk is relatively low.

(b) Credit risk

The Group is exposed to credit risks arising from the cash and cash equivalents and trade receivables, bills receivables and other receivables, and other non-current assets.

In respect of cash and cash equivalents and restricted deposits, the Group manages the credit risk by placing all bank deposits in state-owned financial institutions and banks and security companies with good reputation (all of which are financial institutions with high credit quality).

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

In order to manage credit risk arising from trade receivables, bills receivables and other receivables and other non-current assets, the Group assesses the debtors' financial position on a periodical basis. Certain of the Group's sales are on letter of credit or documents against payment and the remaining balances are with credit terms of thirty to ninety days. The Group provides expected credit losses in a simplified manner in accordance with HKFRS 9, which allows all trade and bills receivables to use the expected provision for the entire credit loss period.

To measure the expected credit losses of trade and bills receivables, trade and bills receivables are grouped according to the common credit risk characteristics and ageing. As at 31 December 2020 and 31 December 2019, the provision rate is as follows. The following expected credit losses considered the factors of forward-looking information:

	As at 31 December 2020			As at 31 December 2019		
	Overall expected credit loss rate	Book value HK$'000	Provisions HK$'000	Overall expected credit loss rate	Book value HK$'000	Provisions HK$'000
Current period	0.4%	71,413	271	0.1%	27,218	27
Overdue for 1 year or less	1.6%	23,466	367	1.4%	17,326	244
Overdue for 1 year to 2 years	99.9%	923	922	99.7%	312	311
Overdue more than 2 years	99.2%	4,188	4,155	98.3%	13,031	12,815
		99,990	5,715		57,887	13,397

As at 31 December 2020 and as at 31 December 2019, other receivables and non-current assets are mainly deposit. The expected credit losses are close to zero.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group manages the liquidity risk through holding of sufficient cash and bank balances. The Group further mitigates the liquidity risk by maintaining cash reserve and utilising bank financing. The Directors consider the Group is not exposed to significant liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, (including interest payment computed using contractual rates or, if floating, based on current rates at each balance sheet date).

	within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 December 2020			
Trade payables and bills payables	48,181	–	48,181
Other payables and accrued expenses	5,474	–	5,474
Borrowings	6,381	93,221	99,603
Convertible bonds due within one year	148,000	–	148,000
Lease liabilities	10,993	8,531	19,524
	219,029	101,752	320,782
As at 31 December 2019			
Trade payables and bills payables	36,168	–	36,168
Other payables and accrued expenses	6,671	–	6,671
Borrowings	103,081	–	103,081
Convertible bonds	–	148,000	148,000
Lease liabilities	10,433	18,724	29,157
	156,353	166,724	323,077

3 Financial Risk Management (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The gearing ratio were as follow:

	As at 31 December 2020 HK$'000	As at 31 December 2019 (Restated) HK$'000
Net liabilities	443,992	410,102
Total assets	753,206	699,448
Gearing ratio	58.95%	58.63%

3.3 Fair value estimation

The table below analyses the Group's financial instruments and non-financial instruments carried at fair value as at 31 December 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments recorded at fair value

Financial instruments at fair value as at 31 December 2020 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
ASSETS				
Trading securities (Note 20)	**43,635**	–	–	**43,635**

Financial instruments at fair value as at 31 December 2019 were as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
ASSETS				
Trading securities (Note 20)	157,573	–	–	157,573

There was no transfer between level 1, 2 and 3 during the year. Financial assets recorded at fair value through profit or loss is disclosed in Note 20.

As at 31 December 2020 and 31 December 2019, current financial assets (including cash and cash equivalents, security deposits, restricted deposits, trade and bills receivables and other receivables), current financial liabilities (including trade payables, other payables and other accruals, lease liabilities and convertible bonds), and the fair value of lease liabilities in non-current liabilities which are similar to their carrying value.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial instruments recorded at fair value

Valuation process of the Group

Investment properties of the Group are valued by an independent valuer on the settlement date. This independent valuer holds relevant recognised professional qualifications and has recent experience in the location and field of the valued investment properties. For all investment properties, their current use is equal to their highest and optimal use.

The Group's finance department is responsible for reviewing the independent appraiser's valuation for financial reporting purposes. The finance department reports directly to the Chief Financial Officer and the Audit Committee. As at 31 December 2020 and 31 December 2019, the fair values of the investment properties have been determined by the independent valuer.

On each settlement date, the finance department will:

- verify all significant inputs to the independent valuation report;
- assess the changes in the valuation results compared with the valuation report of the previous year; and
- discuss with the independent valuer.

On each settlement date, the changes in the fair value of Level 2 and Level 3 are discussed and analysed by the Chief Financial Officer, the Audit Committee and the finance department at the annual valuation meeting. After discussion, the finance department will submit a report explaining the reason for the change in fair value.

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial instruments recorded at fair value (Continued)

The fair value of investment properties is the fair value of Level 3. The relevant valuation methods and significant unobservable inputs are as follows:

Description	Fair value as at 31 December 2020 HK$'000	Valuation method	Non-observable inputs	Range (Weighted average)
日東電子發展(深圳)有限公司 (Investment properties)	26,943	Depreciation replacement cost method	construction cost	RMB 1,655 per square meter

Description	Fair value as at 31 December 2019 HK$'000	Valuation method	Non-observable inputs	Range (Weighted average)
日東電子發展(深圳)有限公司 (Investment properties)	25,049	Depreciation replacement cost method	construction cost	RMB 1,611 per square meter

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

(b) Non-financial instruments recorded at fair value (Continued)

Fair value measured using significant non-observable inputs (Level 3)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 (Restated) HK$'000
Balance at the beginning of the year	**25,049**	–
Transferred to investment properties	**–**	24,897
Differences on the conversion date	**–**	2,078
Profit/(loss) in fair value changes	**264**	(1,304)
Exchange adjustment	**1,630**	(622)
Balance at the end of the year	**26,943**	25,049

The Group uses depreciation replacement cost method to evaluate the fair value of the above assets. These fair values are measured at Level 3 of fair value. The significant non-observable inputs used in the valuation process mainly include the recent sales price and asset replacement cost of similar assets.

Investment properties measured at fair value are disclosed in Note 15.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

(a) Impairment of trade receivables

The management of the Group regularly determines the impairment of trade receivables on a regular basis. This estimation is based on the credit history of the customers and the expected credit situation throughout the duration. Management reassesses the trade receivables at the balance sheet date.

(b) Income taxes

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes (Note 11).

The recognition of deferred income tax assets are recognised for tax losses and temporary differences to the extent that the realisation of the related tax benefit through the future taxable profit is probable. The calculation of the future taxable profit involves judgements and estimates together with the considerations of the Group's tax planning strategy and the impact of the macro economic conditions. Different judgements and estimates may affect the recognition and measurement of the deferred income tax assets.

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less anticipated costs to completion and applicable variable selling expenses. These estimates are made based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to adverse market condition. Management reassesses the estimations at the balance sheet date to ensure inventories are stated at the lower of cost and net realisable value.

(d) Development cost capitalisation

When the recognition standard in accordance with Note 2.9 are met, the development costs are capitalised as intangible assets. Based on the historical experience of existing products and market prospects, the management determines whether the research and development of these patents, etc., will bring future economic benefits to the Group through professional judgment. Any significant changes in market performance and technology development will affect the capitalisation of development costs.

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.

For the year ended 31 December 2020, the main business of the Group is the production and sale of industrial products and securities investment.

For the year ended 31 December 2019, the main business of the Group is the production and sale of industrial products and securities investment.

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

5 Segment Information (Continued)

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

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

	As at 31 December 2020			
	Production and sales of industrial products HK$'000	Securties investment HK$'000	Unallocated activities HK$'000	Total HK$'000
Segment total assets	377,135	58,706	317,365	753,206

5 Segment Information (Continued)

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

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

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

5 Segment Information (Continued)

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

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

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

6 Other Income

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

7 Other Gains/(Losses), Net

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Exchange gains/(losses)	3,173	(1,100)
Compensation income	126	221
Waiver of accounts payables	–	1,226
Changes in fair value of investment properties (Note 15)	264	(1,304)
Others	161	(169)
	3,724	(1,126)

8 Expenses by Nature

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 (Restated) HK$'000
Raw materials consumption	**118,845**	100,477
Employee benefits expense	**74,210**	60,477
Short-term lease rental and property management fees	**4,540**	12,406
R&D expenses and technical consultation fees	**12,764**	3,769
Depreciation and amortisation	**16,077**	7,371
Professional service fees	**4,473**	7,856
Travelling expenses	**2,752**	2,430
Other taxes	**2,318**	3,504
Promotion and exhibition fees	**2,686**	2,686
Transportation expenses	**858**	424
Auditors' remuneration - audit services	**2,287**	2,166
Utilities	**1,189**	1,375
Office expenses	**1,192**	1,142
Installation and maintenance fees	**715**	1,563
Vehicles expenses	**336**	693
Entertainment expenses	**983**	1,396
Provision for/(reversal of) impairment of trade receivables	**910**	(4,516)
Provision for impairment of inventories	**841**	206
Others	**4,228**	1,542
	252,204	206,967

9 Employee Benefit Expense

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Wages and salaries	**72,763**	57,457
Defined contribution plan (a)	**1,034**	2,373
Termination benefits (b)	**413**	647
	74,210	60,477

(a) Defined contribution plan

Employees in the Group's subsidiaries located in Mainland China participate in the defined contribution retirement schemes administrated and operated by the local municipal government. These subsidiaries make contributions to the schemes according to the relevant regulations as issued by the local municipal government and provide funds for employees' post-employment benefits.

(b) Termination benefits

For the year ended 31 December 2020, provision made for employee termination benefits amounted to HK$413,000 due to continuing business restruction and business transformation carried out in the Group's subsidiaries located in Mainland China (year ended 31 December 2019: HK$647,000).

9 Employee Benefit Expense (Continued)

(c) Five highest paid individuals

For the year ended 31 December 2020, the five highest paid individuals in the Group did not include Directors (year ended 31 December 2019: five). The Directors emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the five highest paid individuals for the year ended 31 December 2020 (year ended 31 December 2019: five) are as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Basic salaries, allowances and benefits in kind	8,561	7,892
Contribution to pension scheme	69	86
	8,630	7,978

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December 2020	Year ended 31 December 2019
Emolument bands (in HK$)		
HK$500,001 - HK$1,000,000	1	2
HK$1,000,001 - HK$2,000,000	2	2
HK$2,000,001 - HK$3,000,000	2	1

10 Finance Costs, Net

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

11 Income Tax Expense

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

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

11 Income Tax Expense (Continued)

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

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

12 Earnings/(losses) per Share

(a) Basic

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

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

(b) Diluted

In 2020 and 2019, as the assumption of converting the Company's outstanding convertible bonds will result in an increase/decrease in earnings/(losses) per share, 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 year ended 2020 and 2019.

13 Subsidiaries and investment in associates

(a) Subsidiaries

The following is a list of the main subsidiaries as of 31 December 2020:

Name of companies	Place of incorporation	Kind of legal entity	Principal activities	Place of operation	Particulars of issued share capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)
i-System Investment Company Limited	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$2,000	100%	100%
Sun East Electronic Equipment Company Limited (日東電子設備有限公司)	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	US$5,000,000	–	100%
Fureach Precision Limited (富運精密有限公司)	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	HK$10,000	–	100%
Frontier Precision System Co., Ltd (天力精密系統有限公司)	Hong Kong	Limited Liability	Investment holding	Hong Kong	HK$10,000	–	100%
Sun East Tech Development Limited (日東科技發展有限公司)	Hong Kong	Limited Liability	Sales of industrial products	Hong Kong	HK$10,000	–	100%
日東電子發展(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$81,000,000	–	100%
天力精密系統(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$15,300,000	–	100%
日東智能裝備科技(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$25,000,000	–	100%
富運精密設備(深圳)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	HK$10,000,000	–	100%
Unisplendour Technology International Limited (紫光科技國際有限公司)	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$50,000	100%	100%
Unisplendour Technology Investment Limited (紫光科技投資有限公司)	British Virgin Islands ("BVI")	Limited Liability	Investment holding	Hong Kong	US$50,000	100%	100%
芯成科技(紹興)有限公司	Mainland China	Limited Liability	Production and sales of industrial products	Mainland China	US$3,000,000	–	100%

13 Subsidiaries and investment in associates (Continued)

(a) Subsidiaries (Continued)

The above table lists the main subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year ended 31 December 2020 or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

(b) Investment in associates

The amounts recognised at the blanace sheet are as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
As at 1 January	**238,067**	234,856
Profits attributable to the Group	**9,617**	3,211
As at 31 December	**247,684**	238,067

As at 31 December 2020, the following is the associates the Directors believed to be of significance to the Group. The equities of the associates listed below are ordinary shares and directly held by the Group. The incorporation or registration countries are their principle business places.

13 Subsidiaries and investment in associates (Continued)

(b) Investment in associates (Continued)

Nature of investment in associates as at 31 December 2020:

Name	Incorporation country/ business place	Ownership interest	Relation nature	Measuring method
Sino IC Leasing (Shenzhen) Limited Company* (芯鑫融資租賃(深圳)有限責任公司) (hereafter "Sino Leasing Shenzhen")	Mainland China	49%	Note 1	Equity Method
Unispendour Capital Limited	British Virgin Islands ("BVI")	33%		Equity Method

Note 1: Sino Leasing Shenzhen, formerly known as Unisplendour Si-Cloud Financial Leasing Co., Ltd.* (紫光芯雲融資租賃有限公司), is principally engaged in the leasing business. It assisted the Group in leveraging the high degree of synergy between finance leasing and equipment manufacturing enterprises, and building a bridge between the Group and equipment users in the industry by taking the leasing as a bond.

* For identification purposes only

13 Subsidiaries and investment in associates (Continued)

(b) Investment in associates (Continued)

The Group did not have any contingent liability in equity of the associates.

Summary financial information on Sino Leasing Shenzhen.

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Total assets	1,505,436	794,648
Total liabilities	988,089	328,017

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	61,939	27,100
Net profit	19,639	7,164

14 Property, Plant and Equipment

Year ended 31 December 2019	Properties HK$'000	Machinery and equipment HK$'000	Funiture, fixtures and property decoration HK$'000	Computer Software HK$'000	Motor Vehicles HK$'000	Total HK$'000
As at 1 January 2019 (Restated)(Note 2.1.2(c))						
Cost	131,193	23,279	33,583	1,418	4,967	194,440
Accumulated depreciation and impairment	(47,777)	(17,195)	(24,169)	(146)	(2,371)	(91,658)
Net book amount	83,416	6,084	9,414	1,272	2,596	102,782
Opening net book amount	83,416	6,084	9,414	1,272	2,596	102,782
Addition	–	123	2,918	–	1,150	4,191
Disposals	–	(695)	(87)	–	–	(782)
Transfer to investment property (Note 15)	(24,897)	–	–	–	–	(24,897)
Depreciation charges	(1,716)	(362)	(2,082)	(121)	(465)	(4,746)
Exchange adjustments	(1,311)	(514)	(705)	(4)	(75)	(2,609)
Closing net book amount (restated)	55,492	4,636	9,458	1,147	3,206	73,939
Analysis of cost at 31 December 2019 is as follows (restated):						
Cost	90,226	22,097	35,270	1,378	6,049	155,020
Accumulated depreciation and impairment	(34,734)	(17,461)	(25,812)	(231)	(2,843)	(81,081)
	55,492	4,636	9,458	1,147	3,206	73,939
Year ended 31 December 2020						
Opening net book amount	**55,492**	**4,636**	**9,458**	**1,147**	**3,206**	**73,939**
Addition	**–**	**407**	**138**	**–**	**–**	**545**
Disposals	**–**	**(748)**	**(36)**	**–**	**–**	**(784)**
Depreciation charges	**(1,631)**	**(395)**	**(1,473)**	**(125)**	**(567)**	**(4,191)**
Exchange adjustments	**3,473**	**11**	**62**	**66**	**25**	**3,637**
Closing net book amount	**57,334**	**3,911**	**8,149**	**1,088**	**2,664**	**73,146**
Analysis of cost at 31 December 2020 is as follows:						
Cost	**95,875**	**22,120**	**35,440**	**1,467**	**6,094**	**160,996**
Accumulated depreciation and impairment	**(38,541)**	**(18,209)**	**(27,291)**	**(379)**	**(3,430)**	**(87,850)**
	57,334	**3,911**	**8,149**	**1,088**	**2,664**	**73,146**

14 Property, Plant and Equipment (Continued)

Depreciation charges are recognised in the following items within the profit or loss:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 (Restated) HK$'000
Cost of sales	**1,001**	1,051
Distribution costs	**12**	20
Administrative costs	**3,178**	3,675
	4,191	4,746

As at 31 December 2020, the bank borrowings was pledged by the Group's properties with the net book amounts of HK$54,746,000 (31 December 2019: the bank borrowings was pledged by the Group's properties with a restated net book amounts of HK$52,962,000) (Note 28).

For the year ended 31 December 2020, no impairment losses on assets was provided (For the year ended 31 December 2019: no impairment losses on assets was provided).

15 Investment Properties

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 (Restated) HK$'000
Balance at the beginning of the year	25,049	–
Classified as held for rent	–	24,897
Differences on conversion date	–	2,078
Changes in fair value (Note 7)	264	(1,304)
Exchange adjustments	1,630	(622)
Balance at the end of the year	26,943	25,049

As at 31 December 2020, the bank borrowings was secured by the Group's investment properties with a net value of HK$26,943,000 (31 December 2019: the bank borrowings was secured by the Group's investment properties with a net value of HK$25,049,000) (Note 28).

(a) The amount of investment properties recognised in profit or loss

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Rental income	4,896	5,917

Investment properties are leased to tenants under operating leases, with the rent paid monthly by the tenants. The term of the lease is five years. Although the Group is exposed to the risk of changes in the residual value at the end of the current lease period, the Group generally enters into new operating leases and therefore does not immediately recognise the decrease in residual value at the end of the lease period. Expectations on future residual values are reflected in the fair value of investment properties. For information on minimum rental payments and receivables for investment property leases, please refer to Note 34.

As at 31 December 2020, the Group had no unfunded contractual obligations for future repairs and maintenance.

16 Lease

This note provides information about the Group's leases as lessees.

(a) Amounts recognised in the balance sheet

The following amounts stated in the balance sheet relate to leases:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Right-of-use assets		
– Land use rights	8,994	8,736
– Properties	18,296	27,351
	27,290	36,087
Lease liabilities		
– Current lease liabilities	10,360	9,349
– Non-current lease liabilities	8,357	18,057
	18,717	27,406

16 Lease (Continued)

(b) Amounts recognised in the statement of income

The following amounts stated in the statement of income relate to leases:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Depreciation expense for right-of-use assets		
– Land use rights	301	303
– Properties	10,430	1,740
	10,731	2,043
Interest expense (credit to finance costs)	1,087	203
Expenses relating to short-term leases (credit to distribution costs and administrative costs)	2,000	8,772

For the year ended 31 December 2020, cash outflows arising from the above leases amounted to HK$10,689,000 in total (the year ended 31 December 2019: cash outflows arising from the above leases amounted to HK$10,536,000 in total).

The Group has land lease arrangements with the government in Mainland China. As at 31 December 2020, land use rights were not pledged to banks as security for banking facilities granted to the Group (31 December 2019: nil).

The Group leases offices in various locations. Lease contracts are usually of a fixed term, ranging from one to three years. The term of the lease should be negotiated case by case and may contain different terms and conditions. Assets generated by leasehold properties shall not be used as security for borrowings.

17 Intangible Assets

	Development Costs HK$'000
Year ended 31 December 2019	
Net book value at the beginning of the year	5,868
Addition	8,974
Amortisation	(582)
Exchange adjustments	(126)
Net book value at the end of the year	14,134
As at 31 December 2019	
Costs	14,706
Accumulated amortisation	(572)
Net book value	14,134
Year ended 31 December 2020	
Net book value at the beginning of the year	**14,134**
Addition	**8,452**
Amortisation	**(1,155)**
Exchange adjustments	**850**
Net book value at the end of the year	**22,281**
As at 31 December 2020	
Costs	**24,106**
Accumulated amortisation	**(1,825)**
Net book value	**22,281**

18 Inventories

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Raw materials	**13,115**	9,366
Work in progress	**7,955**	3,583
Finished goods	**14,157**	14,837
	35,227	27,786

Movements in provision for impairment are as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
At the beginning of the year	**(1,859)**	(3,252)
Currency translation differences	**(164)**	78
Provision for impairment of inventories	**(841)**	(206)
Written-off (a)	**1,670**	1,521
At the end of the year	**(1,194)**	(1,859)

For the year ended 31 December 2020, the inventory cost recognised in cost of sales was HK$129,174,000 (the year ended 31 December 2019: HK$113,526,000).

For the year ended 31 December 2020, the provision for impairment of inventories for the Group amounted to HK$841,000 (the year ended 31 December 2019: HK$206,000), which was recognised in at the cost of sales. The main reasons for the provision for impairment are: (1) the Group's business transformation will reduce the production of certain types of industrial products; (2) the market price of certain inventories has declined.

(a) The written-off of provision for impairment of inventories represent the the Group's disposed inventories of which provision for impairment had been made previously. The respective gains on disposal have been recognised in other income.

19 Financial Instruments by Category

	Borrowings and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2020			
Assets as per balance sheet			
Trade receivables and other receivables, excluding prepayments	95,670	–	95,670
Financial assets at fair value through profit or loss	–	43,635	43,635
Cash and cash equivalents	116,609	–	116,609
Other non-current assets	4,904	–	4,904
Total	217,183	43,635	260,818

	Other financial liabilities at amortised cost HK$'000
As at 31 December 2020	
Liabilities as per balance sheet	
Convertible bonds	142,567
Borrowings	94,002
Lease Liabilities	18,717
Trade payables and other payables, excluding statutory liabilities	53,655
Total	308,941

19 Financial Instruments by Category (Continued)

	Borrowings and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
As at 31 December 2019			
Assets as per balance sheet			
Trade receivables and other receivables, excluding prepayments	50,444	–	50,444
Financial assets at fair value through profit or loss	–	157,573	157,573
Security and restricted deposits	1,571	–	1,571
Cash and cash equivalents	43,408	–	43,408
Total	95,423	157,573	252,996

	Other financial liabilities at amortised cost HK$'000
As at 31 December 2019	
Liabilities as per balance sheet	
Convertible bonds	129,978
Borrowings	100,958
Lease liabilities	27,406
Trade payables and other payables, excluding statutory liabilities	42,839
Total	301,181

20 Financial Assets at Fair Value through Profit or Loss

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Listed securities - held-for-trading:		
– Equity securities – Hong Kong	**43,635**	157,573

Financial assets at fair value through profit or loss are denominated in Hong Kong dollar.

The fair value of all equity securities is determined based on their closing price in active market.

21 Trade Receivables and Other Receivables

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

21 Trade Receivables and Other Receivables (Continued)

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

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

The Group applies the HKFRS 9 simplified approach to measure expected credit losses and makes provision for impairment of trade receivables based on the expected credit losses. As at 31 December 2020, the provision was HK$5,715,000 (31 December 2019: HK$13,397,000) (Note 3.1(b)).

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

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

21 Trade Receivables and Other Receivables (Continued)

The creation and release of provision for impaired receivables were included in "provision for/(reversal of) impairment of receivables" in the consolidated statement of comprehensive income (Note 8). The amount charged to the allowance account is generally written off when it is expected that no additional cash can be recovered.

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

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

22 Cash and cash equivalents

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Cash at bank and on hand	115,632	42,960
Other cash balances (a)	977	448
Cash and cash equivalents	116,609	43,408

(a) Other cash balances are unspent funds deposited in securities company.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Renminbi	61,659	29,215
Hong Kong dollar	37,603	10,829
US dollar	17,327	3,342
Other currencies	20	22
	116,609	43,408

23 Security and Restricted Deposits

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Security deposits (a)	–	1,571

(a) Security deposits comprise performance guarantee bonds and deposits for bills payables which are deposited by the Group in banks. These deposits earned interest at 0.30% per annum as at 31 December 2019.

As at 31 December 2019, security deposits and restricted deposits were listed in Renminbi.

24 Share Capital and Share Premium

	Number of shares (In thousands)	Share Capital HK$'000	Share Premium HK$'000
As at 31 December 2019 and 31 December 2020	1,455,000	145,500	95,240

25 Accumulated Losses

	As at 31 December 2020 HK$'000	As at 31 December 2019 (Restated) HK$'000
Balance at the beginning of the year	**(561,290)**	(549,679)
Year gains/(losses)	**19,650**	(11,611)
Balance at the end of the year	**(541,640)**	(561,290)

26 Other Reserves

	Contributed surplus HK$'000	Convertible bonds HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation HK$'000	Total HK$'000
Balance at 1 January 2019 (restated) (Note 2.1.2(c))	4,800	577,941	11,829	–	17,317	611,887
Owner-occupied property to investment property (restated)	–	–	–	(773)	–	(773)
Exchange difference on translation of foreign currencies (restated)	–	–	–	–	(1,218)	(1,218)
Balance at 31 December 2019 (restated) (Note 2.1.2(c))	4,800	577,941	11,829	(773)	16,099	609,896

	Contributed surplus HK$'000	Convertible bonds HK$'000	Statutory reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation HK$'000	Total HK$'000
Balance at 1 January 2020	4,800	577,941	11,829	(773)	16,099	609,896
Exchange difference on translation of foreign currencies	–	–	–	–	218	218
Balance at 31 December 2020	4,800	577,941	11,829	(773)	16,317	610,114

27 Trade Payables and Other Payables

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Trade payables	**48,181**	32,421
Bills payables	**–**	3,747
Employee salaries payables	**35,112**	23,737
Other taxes payables	**22,425**	16,128
Other payables	**2,349**	1,937
Accrued expenses	**3,125**	4,734
Interest payables	**124**	166
	111,316	82,870

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

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

27 Trade Payables and Other Payables (Continued)

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Renminbi	**50,502**	38,011
Hong Kong dollar	**28**	94
	50,530	38,105

28 Borrowings

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current		
Secured bank borrowings due for repayment within one year	**1,899**	89,200
Short-term credit borrowings due for repayment within one year	**–**	11,758
	1,899	100,958

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current		
Secured bank borrowings	**92,103**	–

As at 31 December 2020, the bank borrowings are secured by the properties of the Group with a net value of HK$81,689,000 (Note 14 and Note 15). As at 31 December 2019, the bank borrowings are secured by the properties of the Group with a net value of HK$78,011,000 (Note 14 and Note 15).

28 Borrowings (Continued)

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

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

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Renminbi	94,002	89,200
US dollar	–	11,758
	94,002	100,958

29 Contract Liabilities

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Related parties	43,392	–
Third parties	12,705	7,901
	56,097	7,901

In October 2020, Sino IC Leasing (Beijing) Company Limited entered a purchase framework contract with the Group to purchase goods such as materials, equipment and ancillary equipment to the associated equipment from the Group. As at 31 December 2020, Sino IC Leasing (Beijing) Company Limited made an prepayment of HK$43,392,052 to the Group in accordance with the purchase framework contract. Sino IC Leasing (Beijing) Company Limited is an indirect subsidiary of Sino IC Leasing Company Limited.

30 Convertible Bonds

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

On 30 May 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 supplementary agreement, the convertible bonds were recognised as compound financial instruments. As at 30 March 2017, such financial liability at fair value through profit or loss of HK$678,487,000 was derecognised. Pursuant to the amended terms and the fair value at the date, the Company has recognised the convertible bonds as compound financial instruments, among which the fair value of the liability component was HK$100,546,000, the fair value of the equity component was HK$577,941,000, and the liability component of the compound financial instrument were subsequently measured by the amortised cost method. For the year, the recognised interest expense of the convertible bonds was HK$12,589,000 (In 2019, the recognised interest expense of the convertible bonds was HK$11,515,000). (Note 10).

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

31 Deferred Income Tax

The analysis of deferred income tax liabilities is as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 (Restated) HK$'000
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**6,811**	6,038
– Deferred tax liabilities to be recovered within 12 months	**155**	463
	6,966	6,501
Deferred tax assets:		
– Deferred tax assets to be recovered within 12 months	**9,578**	11,947

31 Deferred Income Tax (Continued)

The movements on the deferred income tax for the year are as follows:

Deferred tax liabilities	Properties (Restated) HK$'000	Investment Properties HK$'000	Total HK$'000
As at 1 January 2019 (restated) (Note 2.1.2(c))	3,253	–	3,253
Reclassification	(879)	879	–
Charged to the statement of income	(116)	(240)	(356)
Charged to other comprehensive income	–	2,851	2,851
Exchange differences	851	(98)	753
As at 31 December 2019 (restated)	3,109	3,392	6,501
As at 1 January 2020	**3,109**	**3,392**	**6,501**
Charged to the statement of income	**(74)**	**116**	**42**
Exchange differences	**134**	**289**	**423**
As at 31 December 2020	**3,169**	**3,797**	**6,966**

Deferred tax assets	Tax losses HK$'000
As at 1 January 2019	13,534
Charged to the statement of income	(1,587)
As at 31 December 2019	11,947
As at 1 January 2020	**11,947**
Charged to the statement of income	**(2,446)**
Charged to other comprehensive income	**77**
As at 31 December 2020	**9,578**

31 Deferred Income Tax (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable. For the year ended 31 December 2020, the Group has not recognised deferred tax assets amounted to HK$480,371,000 (the year ended 31 December 2019: HK$479,122,000) in respect of losses amounted to HK$82,958,000 (the year ended 31 December 2019: HK$83,694,000) that can be carried forward against future taxable income.

For the year ended 31 December 2020, the aforesaid tax loss of HK$436,866,000 (the year ended 31 December 2019: HK$424,539,000), which was not carried forward to offset future taxable income, had no due date. The remaining tax losses that are not carried forward to offset future taxable income will expire in the following years:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Year		
2020	**–**	4,791
2021	**16,460**	22,923
2022	**26,511**	26,511
2023	**307**	307
2024	**51**	51
2025	**176**	–
	43,505	54,583

32 Deferred income

	As at 31 December 2019 HK$'000	Recognised at other income HK$'000	Exchange in adjustment HK$'000	**As at 31 December 2020 HK$'000**
Grant on the project of "Non-contact solder spray and welding technique (非接觸焊料噴射與焊接技術)"	1,249	(158)	72	**1,163**

The Group received government grant related to the project of "Non-contact solderspray and welding technique (非接觸焊料噴射與焊接技術)" by the Financial Committee of Shenzhen City (深圳市財政委員會), equivalent to HK$4,565,000 in total. The project was completed in August 2019 and passed the government inspection. The Group recognised the government grants used to settle related costs as other income at the time of government inspection, and recognised the government grants used to purchase machinery and equipment for research and development as other income, amortised over the depreciable life of the machinery and equipment.

33 Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation between profit/(loss) before income tax and cash used in operating activities:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 (Restated) HK$'000
Profit/(loss) before income tax	**25,249**	(6,802)
Adjustments for:		
– Amortisation of land use rights (Note 16)	**301**	303
– Depreciation of property, plant and equipment (Note 14)	**4,191**	4,746
– Depreciation on other right-of-use assets (Note 16)	**10,430**	1,740
– Amortisation of intangible assets (Note 17)	**1,155**	582
– Losses/(profits) on disposal of property, plant and equipment	**237**	(25)
– Provision for/(reversal of) impairment of trade receivables (Note 8)	**910**	(4,516)
– Provision for impairment of inventories (Note 8)	**841**	206
– Shares of results of associate(s) (Note 13(b))	**(9,617)**	(3,211)
– Cash dividends received (Note 6)	**–**	(1,384)
– Gains on redemption of investment products	**–**	(160)
– Finance costs (Note 10)	**18,617**	17,720
– Amortisation of deferred income (Note 32)	**(158)**	(3,266)
– (Loss)/gain on change in fair value of investment properties (Note 15)	**(264)**	1,304
Changes in working capital:		
– (Increase)/decrease in inventories	**(6,776)**	8,471
– Increase in trade receivables and other receivables	**(91,993)**	(27,004)
– Decrease/(increase) in trade payables and other payables	**38,788**	(5,264)
Cash used in operations	**(8,089)**	(16,560)

33 Notes to the Consolidated Statement of Cash Flows (Continued)

(b) The proceeds from sales of property, plant and equipment included in the consolidated statement of cash flows include:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Net book value (Note 14)	784	782
(Losses)/profits on disposal of property, plant and equipment	(237)	25
Proceeds from disposal of property, plant and equipment	547	807

(c) Net cash reconciliation

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Cash and cash equivalents	116,609	43,408
Liquid investments (i)	43,635	157,573
Borrowings	(94,002)	(100,958)
Lease liabilities	(18,717)	(27,406)
Net cash	47,525	72,617
Cash and liquid investments	160,244	200,981
Total debt – floating rates	(94,002)	(100,958)
Total debt – fixed rates	(18,717)	(27,406)
Net cash	47,525	72,617

(i) Liquid investments are investments traded currently in active markets, namely financial assets at fair value through profit or loss held by the Group.

33 Notes to the Consolidated Statement of Cash Flows (Continued)

(c) Net cash reconciliation (Continued)

	Other Assets		Liabilities of Financing Activities		
	Cash and cash equivalents	Liquid investments	Borrowings	Lease Liabilities	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net cash as at 1 January 2019	43,305	137,339	(68,478)	–	112,166
New lease	–	–	–	(29,091)	(29,091)
Cash flows	214	–	(32,480)	1,888	(30,378)
Exchange in adjustment	(111)	–	–	–	(111)
Other non-cash movements (ii)	–	20,234	–	(203)	20,031
Net cash as at 31 December 2019	43,408	157,573	(100,958)	(27,406)	72,617
Net cash as at 1 January 2020	**43,408**	**157,573**	**(100,958)**	**(27,406)**	**72,617**
Cash flows	**73,124**	**(133,705)**	**6,956**	**7,602**	**(46,023)**
Exchange in adjustment	**77**	**–**	**–**	**–**	**77**
Other non-cash movements (ii)	**–**	**19,767**	**–**	**1,087**	**20,854**
Net cash as at 31 December 2020	**116,609**	**43,635**	**(94,002)**	**(18,717)**	**47,525**

(ii) Other non-cash movements are changes in fair value of financial assets at fair value through profit or loss, and the lease liabilities component represents amortisation of unrecognised financing costs.

34 Commitments

Operating lease commitments – the Group as lessee

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

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Within one year	**70**	220

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

Operating lease commitment – the Group as lessor

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

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

35 Related Party Transactions

Save as disclosed elsewhere in the financial statements, the Group's transactions with related parties during the year were as follows.

Key management compensation

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

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Salaries and other short-term employee benefits	**7,220**	6,810
Post-employment benefits	**–**	–
	7,220	6,810

36 Balance Sheet and Reserve Movement of the Company

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	83	137
Investment in subsidiaries	117,882	117,882
Other non-current assets	4,904	–
	122,869	118,019
Current assets		
Amounts due from subsidiaries	581,106	637,271
Trade receivables and other receivables	5,478	5,547
Tax reserve certificates	–	238
Cash and bank deposits	45,709	7,952
	627,389	651,008
Current liabilities		
Amounts due to subsidiaries	1,140	1,390
Trade payables and other payables	5,005	6,510
Related party borrowings	–	11,758
Current liabilities due within one year – convertible bonds	142,567	–
	148,712	19,658
Non-current liabilities		
Convertible bonds	–	129,978
Equity attributable to equity holders of the Company		
Share capital and share premium	240,740	240,740
Accumulated losses (a)	(217,135)	(199,290)
Other reserves (a)	577,941	577,941
TOTAL EQUITY	601,546	619,391

36 Balance Sheet and Reserve Movement of the Company (Continued)

(a) Accumulated losses and reserve movement of the Company

	Other reserves HK$'000	Accumulated losses HK$'000
1 January 2019	577,941	(179,337)
Loss for the year	–	(19,953)
31 December 2019	577,941	(199,290)
1 January 2020	**577,941**	**(199,290)**
Loss for the year	**–**	**(17,845)**
31 December 2020	**577,941**	**(217,135)**

37 Benefits and Interests of Directors

(a) Directors' and Chief Executive Officer's emoluments

Directors' and Chief Executive Officer's emoluments are set out as below.

For the year ended 31 December 2020:

Name	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Directors:				
Mr. DU Yang	–	–	–	–
Mr. YUAN I-Pei	–	–	–	–
Mr. XIA Yuan (i)	–	**300**	–	**300**
Mr. LI Yongjun	–	–	–	–
Mr. LI Jinxian	–	–	–	–
Independent Directors:				
Mr. CUI Yuzhi (i)	**144**	–	–	**144**
Mr. BAO Yi	**144**	–	–	**144**
Mr. PING Fan (i)	**144**	–	–	**144**
	432	**300**	–	**732**

(i) Mr. Xia Yuan, Mr. Cui Yuzhi and Mr. Ping Fan were re-elected as Directors of the Company at the general meeting held on 1 June 2020.

37 Benefits and Interests of Directors (Continued)

(a) Directors' and Chief Executive Officer's emoluments (Continued)

For the year ended 31 December 2019:

Name	Fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Contribution to pension scheme HK$'000	Total HK$'000
Directors:				
Mr. DU Yang	–	–	–	–
Mr. YUAN I-Pei	–	–	–	–
Mr. XIA Yuan	–	300	–	300
Mr. LI Yongjun	–	–	–	–
Mr. LI Jinxian	–	–	–	–
Mr. ZHANG Yadong	–	–	–	–
Mr. ZHENG Bo	–	–	–	–
Mr. LI Zhongxiang	–	–	–	–
Mr. QI Lian	–	–	–	–
Independent Directors:				
Mr. CUI Yuzhi	144	–	–	144
Mr. BAO Yi	144	–	–	144
Mr. PING Fan	144	–	–	144
	432	300	–	732

(b) For the year ended 31 December 2020 and the year ended 31 December 2019, the Group has no Directors' retirement benefits, termination benefits, considerations and borrowings provided to third parties for rendering of Director's service, as well as loans, quasi-loans and other credit transaction information provided to Directors, body corporate controlled by these Directors and related parties of Directors to be disclosed.

(c) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted for the year ended 31 December 2020 and the year ended 31 December 2019.

38 Subsequent Event

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