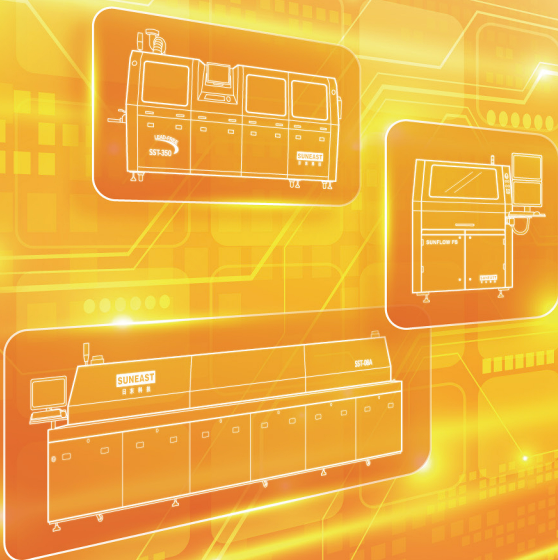
芯成科技
- SINO ICT -

SINO ICT HOLDINGS LIMITED
芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code: 00365.HK



2022
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. YUAN I-Pei *(Chairman)*
(appointed as chairman on 10 August 2022)
Mr. XIA Yuan *(Chief Executive Officer)*
Mr. DU Yang (resigned on 10 August 2022)

Non-Executive Directors

Mr. LI Yongjun
Mr. LI Jinxian

Independent Non-Executive Directors

Mr. WANG Yanxin
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. YUAN I-Pei *(Chairman)*
(appointed on 10 August 2022)
Mr. CUI Yuzhi
Mr. PING Fan
Mr. DU Yang (resigned on 10 August 2022)

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

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

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road, Causeway Bay
Hong Kong SAR

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2022 HK$'000 (Unaudited)	Six months ended 30 June 2021 HK$'000 (Unaudited)
Revenue and gain on securities investment	5	**143,749**	196,127
Cost of sales		**(78,225)**	(101,069)
Gross profit and gain on securities investment		**65,524**	95,058
Other income	7	**1,195**	3,607
Other (losses)/gains, net		**(3,225)**	641
Distribution costs		**(25,678)**	(27,798)
Administrative expenses		**(38,995)**	(28,810)
Finance income	8	**1,593**	407
Finance costs	8	**(2,088)**	(7,620)
Finance costs, net	8	**(495)**	(7,213)
Share of results of associates		**–**	2,292
Share of results of joint ventures		**(125)**	–
(Loss)/profit before income tax		**(1,799)**	37,777
Income tax expense	9	**(63)**	(4,890)
(Loss)/profit for the Period attributable to equity holders of the Company		**(1,862)**	32,887
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6,497)**	79
Other comprehensive (expense)/income for the Period, net of tax		**(6,497)**	79
Total comprehensive (expense)/income attributable to equity holders of the Company		**(8,359)**	32,966
(LOSS)/EARNINGS PER SHARE			
Basic and diluted (loss)/earnings per share	11	**(0.13) HK cents**	2.26 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		71,611	74,414
Investment property		26,806	26,806
Right-of-use assets		18,192	19,939
Intangible assets		24,310	23,615
Interests in associates		2,278	2,278
Interests in joint ventures		8,537	9,167
Financial assets at fair value through profit or loss ("FVTPL")		5,148	5,143
Deferred income tax assets		3,575	3,575
		160,457	164,937
Current assets			
Inventories		36,934	48,605
Trade and other receivables	*12*	291,706	236,922
Financial assets at FVTPL		127	689
Cash and cash equivalents		269,603	308,462
		598,370	594,678
TOTAL ASSETS		758,827	759,615
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		145,500	145,500
Share premium		95,240	95,240
Other reserves		26,769	33,266
Retained profits		72,721	74,583
TOTAL EQUITY		340,230	348,589

	Notes	At 30 June 2022 HK$'000 (Unaudited)	At 31 December 2021 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Long-term borrowing	*14*	**84,934**	–
Lease liabilities		**1,278**	1,757
Deferred income		**902**	1,028
Deferred income tax liabilities		**7,242**	7,249
		94,356	10,034
Current liabilities			
Trade and other payables	*13*	**285,239**	271,863
Contract liabilities		**12,335**	14,437
Short-term borrowing	*14*	**7,029**	94,982
Lease liabilities		**9,725**	9,388
Income tax payables		**9,913**	10,322
		324,241	400,992
TOTAL LIABILITIES		**418,597**	411,026
TOTAL EQUITY AND LIABILITIES		**758,827**	759,615
NET CURRENT ASSETS		**274,129**	193,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**434,586**	358,623

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Retained profits/ (Accumulated losses) *HK$'000*	Total equity *HK$'000*
As at 1 January 2022	**145,500**	**95,240**	**33,266**	**74,583**	**348,589**
Loss for the Period	–	–	–	(1,862)	(1,862)
Exchange differences on translation of foreign operations	–	–	(6,497)	–	(6,497)
Total comprehensive loss	–	–	(6,497)	(1,862)	(8,359)
As at 30 June 2022 (Unaudited)	**145,500**	**95,240**	**26,769**	**72,721**	**340,230**
As at 1 January 2021	145,500	95,240	610,114	(541,640)	309,214
Profit for the Period	–	–	–	32,887	32,887
Exchange differences on translation of foreign operations	–	–	79	–	79
Total comprehensive income	–	–	79	32,887	32,966
As at 30 June 2021 (Unaudited)	145,500	95,240	610,193	(508,753)	342,180

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(26,447)**	257,142
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(5,325)**	126,074
NET CASH USED IN FINANCING ACTIVITIES	**(1,722)**	(151,209)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(33,494)**	232,007
Cash and cash equivalents at the beginning of the Period	**308,462**	116,610
Effect of foreign exchange rate changes on cash and cash equivalents	**(5,365)**	2,692
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**269,603**	351,309

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the "Company") 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 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 referred to as the "Group") is principally engaged in surface mount technology ("SMT") equipment manufacturing and securities investment, and was also actively developing energy storage business and bird detection radar business.

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

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

The condensed consolidated interim financial information were approved for issue by the board of directors on 31 August 2022.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

* For identification purposes only

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis, except for financial assets at FVTPL and investment properties which are measured at fair value.

Except for the adoption of the following amended HKFRSs issued by the HKICPA, which are effective for the six months ended 30 June 2022, the accounting policies applied in preparing the condensed consolidated interim financial information are consistent with those of the consolidated financial statements for the year ended 31 December 2021.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the above amended HKFRSs did not have any significant impact on the Group's financial performance and position for the six months ended 30 June 2022.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2021.

5. REVENUE AND GAIN ON SECURITIES INVESTMENT

Revenue and gain on securities investment for the six months ended 30 June 2022 are presented as follows:

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Revenue from contracts with customers under HKFRS 15		
– Production and sales of industrial products	**142,165**	179,248
– Provision of administrative services	**1,065**	2,841
	143,230	182,089
Revenue from other sources		
– Realised and unrealised gains on listed equity securities classified as financial assets at FVTPL	**519**	14,038
	143,749	196,127
Timing of revenue recognition		
– At a point in time	**142,165**	179,248
– Over time	**1,065**	2,841
	143,230	182,089

6. SEGMENT INFORMATION

The executive directors are the Group's chief operating decision-makers. Management has determined the operating segments based on the report reviewed by the executive directors of the Company for the purposes of allocating resources and assessing performance. During the six months ended 30 June 2022, the Group's operating segments are as follows:

(1) Production and sales of industrial products; and

(2) Securities investment.

The segment information for the six months ended 30 June 2022 is presented as follows:

	Six months ended 30 June 2022			
	Production and sales of industrial products *HK$'000* (Unaudited)	Securities investment *HK$'000* (Unaudited)	Unallocated activities *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	142,165	519	1,065	143,749
Segment gross profit	63,945	514	1,065	65,524
Other income	1,195	–	–	1,195
Other gains/(losses), net	2,809	–	(6,034)	(3,225)
Distribution costs	(25,678)	–	–	(25,678)
Administrative expenses	(26,508)	–	(12,487)	(38,995)
Finance costs, net	(1,404)	–	909	(495)
Share of results of joint ventures	–	–	(125)	(125)
Profit/(loss) before income tax	14,359	514	(16,672)	(1,799)

6. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2021 is presented as follows:

	Six months ended 30 June 2021			
	Production and sales of industrial products *HK$'000* (Unaudited)	Securities investment *HK$'000* (Unaudited)	Unallocated activities *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	179,248	14,038	2,841	196,127
Segment gross profit	78,355	13,862	2,841	95,058
Other income	3,607	–	–	3,607
Other gains/(losses), net	1,050	–	(409)	641
Distribution costs	(27,798)	–	–	(27,798)
Administrative expenses	(13,957)	–	(14,853)	(28,810)
Finance costs, net	(1,894)	(3)	(5,316)	(7,213)
Share of results of associates	–	–	2,292	2,292
Profit/(loss) before income tax	39,363	13,859	(15,445)	37,777

7. OTHER INCOME

	Six months ended 30 June 2022 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Income from sales of scraps	**64**	21
Government grants	**1,131**	3,586
	1,195	3,607

8. FINANCE COSTS, NET

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Finance income:		
– Interest income from bank deposits	1,593	407
Finance costs:		
– Interest expenses on bank borrowings	(2,088)	(2,187)
– Interest expenses of convertible bonds	–	(5,433)
Finance costs, net	(495)	(7,213)

9. INCOME TAX EXPENSE

	Six months ended 30 June 2022 *HK$'000* (Unaudited)	Six months ended 30 June 2021 *HK$'000* (Unaudited)
Current income tax		
– PRC Enterprise Income Tax	63	4,890

10. DIVIDENDS

The Board does not recommend the payment of dividend for the six months ended 30 June 2022, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2021: nil).

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Earnings		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the Period attributable to equity holders of the Company) *(HK$'000)*	**(1,862)**	32,887
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share *('000)*	**1,455,000**	1,455,000
Basic and diluted (loss)/earnings per share	**(0.13) HK cents**	2.26 HK cents

12. TRADE AND OTHER RECEIVABLES

At 30 June 2022 and 31 December 2021, the ageing analysis of the trade and bills receivables based on invoice dates is as follows:

	At 30 June 2022 *HK$'000* **(Unaudited)**	At 31 December 2021 *HK$'000* (Audited)
0 – 90 days	**42,069**	32,357
91 – 180 days	**24,047**	20,247
Over 180 days	**16,018**	18,066
	82,134	70,670

13. TRADE AND OTHER PAYABLES

At 30 June 2022 and 31 December 2021, the ageing analysis of trade and bills payables based on the invoice dates is as follows:

	At 30 June 2022 *HK$'000* **(Unaudited)**	At 31 December 2021 *HK$'000* (Audited)
0 – 90 days	**29,173**	25,458
91 – 120 days	**1,139**	1,619
Over 120 days	**1,453**	7,171
	31,765	34,248

14. BORROWING

	At 30 June 2022 *HK$'000* (Unaudited)	At 31 December 2021 *HK$'000* (Audited)
Secured bank borrowing due for repayment within one year	**7,029**	94,982
Secured bank borrowing due for repayment after one year	**84,934**	–
	91,963	94,982

The bank borrowing granted is secured by the Group's properties.

15. FAIR VALUE DISCLOSURE

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021 by level of the inputs to valuation techniques used to measure the fair value. Such inputs are categorised into three levels and are defined based on the observability and significance of inputs within a fair value hierarchy as follows:

– Quoted price (unadjusted) in active markets for identical assets and 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) and not using significant unobservable inputs (Level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (Level 3).

Financial instruments at fair value as at 30 June 2022 were as follows:

	Level 1 *HK$'000* (Unaudited)	Level 2 *HK$'000* (Unaudited)	Level 3 *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Assets				
Financial assets at FVTPL				
Listed equity securities	**127**	–	–	**127**
Unlisted equity securities	–	–	**5,148**	**5,148**
	127	–	**5,148**	**5,275**

15. FAIR VALUE DISCLOSURE (CONTINUED)

Financial instruments at fair value as at 31 December 2021 were as follows:

	Level 1 *HK$'000* (Audited)	Level 2 *HK$'000* (Audited)	Level 3 *HK$'000* (Audited)	Total *HK$'000* (Audited)
Assets				
Financial assets at FVTPL				
Listed equity securities	689	–	–	689
Unlisted equity securities	–	–	5,143	5,143
	689	–	5,143	5,832

The fair value of the Group's investment in listed equity securities in Hong Kong is determined based on their closing price in active market, which is grouped into fair value hierarchy Level 1.

There were no transfers between Levels 1, 2 and 3 during the six months ended 30 June 2022 (year ended 31 December 2021: nil).

The valuation technique and inputs used in the fair value measurement of the unlisted equity securities are as follows:

Financial assets	**Fair value hierarchy**	**Fair value as at 30 June 2022** ***HK$'000*** **(Unaudited)**	Fair value as at 31 December 2021 *HK$'000* (Audited)	**Valuation technique**	**Unobservable inputs**	**Range (Weighted average)**
Unlisted equity securities	Level 3	**5,148**	5,143	Market approach	Earnings multiple Discount on lack of marketability	59 times 30%

The most significant inputs, all of which are unobservable, are earnings multiple and discount on lack of marketability. The fair value increases if the earnings multiple increases or the discount on lack of marketability decreases, or vice versa.

15. FAIR VALUE DISCLOSURE (CONTINUED)

The reconciliation of the carrying amount of the Group's financial assets classified within fair value hierarchy Level 3 is as follows:

	Six months ended 30 June 2022 *HK$'000* **(Unaudited)**	Year ended 31 December 2021 *HK$'000* (Audited)
At the beginning of the period/year	**5,143**	–
Retained investment through disposal of an associate	**–**	5,054
Fair value gain recognised in profit or loss	**5**	89
At the end of the period/year	**5,148**	5,143

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 unaudited results of the Company and its subsidiaries (collectively, the "Group") for the six months period ended 30 June 2022 (the "Period").

OVERVIEW

In the first half of 2002, the slowdown in world economic growth was evident. The Russia-Ukraine War has devastated the global economy, triggering a worldwide crisis on food, energy and finance, with soaring inflation in various countries and a worsening supply chain dilemma that continues to worsen, casting a shadow over the global economic outlook for the next two years. In addition, the trade frictions between USA and China intensified, disrupting international markets and global supply chains, with the "Chip and Science Act" of USA having a particular impact on China's semiconductor and related industries. This, coupled with the rampant COVID-19 pandemic and the spreading of pandemic in China, has had a certain degree of impact on the stability of the economy. The tightening of pandemic prevention and control has disrupted the flow of people, logistics and supply chains, adding to the woes of domestic enterprises, especially the manufacturing industry.

In this environment, most enterprises in China are taking a wait-and-see attitude towards the economic outlook, with the manufacturing industry in particular being cautious about capacity deployment. The Group's business was affected by the drop in demand from its downstream customers, resulting in a relatively significant decline in both revenue and gross profit. During the Period, the Group stabilised its operating core of SMT and semiconductor equipment manufacturing and related businesses as a base, while seeking and exploring other development opportunities and actively exploring the energy storage business and the bird detection radar business to create greater commercial value for the Group while generating revenue.

BUSINESS REVIEW

During the Period, the Group was principally engaged in the SMT and semiconductor equipment manufacturing and related businesses, as well as securities investment business, and was also actively developing energy storage business and the bird detection radar business.

For the six months period ended 30 June 2022, the Group's revenue and gain on securities investment decreased by approximately 26.7% year-on-year to approximately HK$143,749,000 and gross profit decreased by approximately 31.1% year-on-year to approximately HK$65,524,000, while the overall gross profit margin remained at approximately 45.6%. Profit for the Period attributable to equity holders of the Company turned from profit to loss with a loss of approximately HK$1,862,000. The decline in the interim results of the Company in 2022 was mainly due to the establishment of joint ventures and subsidiaries in the first half of this year in line with the Group's strategic planning to expand into new businesses, The newly established companies are now in the investment period and therefore the related expenses have increased. Furthermore, exchange rate fluctuations were relatively high in the first half of 2022, resulting in an increase in foreign exchange losses; gains from investment in securities decreased; in addition, the pandemic of COVID-19 continued and the domestic outbreak in China spread to many places, which also affected the SMT equipment manufacturing business of the Group.

In terms of the securities investment business, the Group has been adopting a low-frequency trading investment strategy and its investments are in high quality high-tech companies listed on the Stock Exchange with the synergy effect in the SMT and semiconductor equipment manufacturing related businesses. In the first half of 2022, in order to reduce the revenue risk that could arise from stock market volatility, the Group further reduced its holdings of financial assets at fair value through profit or loss to approximately HK$127,000 to protect the interests of investors. As of 30 June 2022, the Group only held shares in GOME FIN TECH (stock code: 628.HK), which accounted for only approximately 0.02% of the Group's total assets.

At the end of 2021, the Group, through its wholly-owned subsidiary, Sino ICT Technology Macao Co. Ltd. ("Sino ICT Technology Macao"), entered into a joint venture agreement with Shenzhen Qianhai Dongfang New Energy Co., Ltd.* (深圳前海東方新能源有限公司) to establish a joint venture company, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd.* (中鑫電聯(珠海橫琴)能源科技有限公司), to enter the energy storage industry to build, develop and operate battery storage peak regulation and frequency modulation power station projects, and to plan to further develop other new energy storage projects and smart energy projects in the future. During the Period, the Group is planning to develop and build independent energy storage stations in provinces such as Shanxi to participate in grid-side peak regulation and frequency modulation services, and to provide storage capacity leasing services for new energy power stations in the region.

In early 2022, the Company, through Sino ICT Technology Macao, entered into a joint venture agreement with Meilin DeTect (Beijing) Technology Co., Ltd.* (梅林泰特 (北京) 科技有限公司) to establish a joint venture company, Sino DeTect Technology (Haining) Co., Ltd.* (芯泰智能科技 (海寧) 有限公司), to jointly expand the bird detection radar business and develop the localised research and development and application of bird monitoring and early warning systems. The business is in line with the current national policy requirement of enhancing safety in the aviation field and has a promising market prospect.

* For identification purposes only

INDUSTRY TREND

SMT and semiconductor equipment manufacturing related industries

SMT technology, surface mount technology, is an electronic assembly technology that does not require the drilling of holes for the solder pads, and directly pastes and solders surface mount components onto the solder pad surface of the printed circuit board, eventually connecting electrically with the conductive pattern. This technology is suitable for high-density, highly integrated micro-device soldering and assembly process, and the widespread application of SMT technology has promoted the miniaturisation and multi-functionality of electronic products, providing conditions for high-volume production and low defect rate production. In the first half of 2022, the consumer electronics market and the electronics manufacturing industry were significantly affected by the pandemic, with total smartphone shipments declining by 21.7% year-on-year and investment in the Mini/Micro LED sector slowing down, indirectly leading to a slowdown in the SMT and semiconductor manufacturing related industries, which is expected to remain the same for the next one to two years.

However, despite the short-term slowdown in the electronics industry, the long-term momentum remains unchanged. Consumer electronics Mini LED is continuing to be commercialised in the backlight sector. According to the forecast from the research firm Display Supply Chain Consultants, the total global shipments of Mini LED backlight products will exceed 48 million units by 2025, and the market size of Mini LED TV backlight modules will reach RMB39 billion. The steady development of new energy vehicles in China, with positive demand, supply, usage and policy, has contributed to the continued growth in sales volume. According to statistics from the China Association of Automobile Manufacturers (中國汽車工業協會) and the China Electric Vehicle Charging Infrastructure Promotion Alliance (中國電動汽車充電基礎設施促進聯盟), by the end of 2021, there were 7.84 million new energy vehicles and 2.617 million charging infrastructures in the country. As the penetration level of vehicle electrification continues to rise, the market demand for charging piles will further expand.

The 5G communication network continues to develop, and version 18, known as "5G Advanced", is being planned forward. The current version 17 improves on commercial available features, improves existing network applications and further expands the application landscape by introducing a new lightweight terminal (RedCap), a new network for integration of heaven and earth (NTN), and a multicast broadcast function (MBS). Statistics from the Global Mobile Suppliers Association (全球移動設備供應商協會) show that by the end of April 2022, the number of 5G devices announced had reached 1,334, representing a month-on-month increase of 2.9%. In terms of the semiconductor industry, the Semiconductor Equipment and Materials International (國際半導體產業協會) ("SEMI") estimates that global sales of semiconductor manufacturing equipment will expand to US$114 billion in 2022. In summary, the long-term development of the electronics industry will drive the SMT equipment manufacturing industry, and the rising demand in the semiconductor market will also benefit related industries in China.

ENERGY STORAGE AND RELATED INDUSTRIES

Power is a fundamental sector of the national economy. The sustained and healthy development of China's macro economy has laid a solid foundation for the development of the power industry. In recent years, China has steadfastly pushed forward the energy revolution and accelerated the transformation of its energy consumption structure to clean and low-carbon. In 2020, coal consumption in China accounted for 56.8% of total energy consumption, representing a decrease of 0.9 percentage point as compared with 2019. Clean energy consumption, including natural gas, hydropower, nuclear power and wind power, accounted for 24.3% of total energy consumption, representing an increase of 1 percentage point as compared with 2019. The White Paper "China's Energy Development in a New Era" (《新時代的中國能源發展》) issued by the State Council pointed out that it would promote the use of electricity instead of coal and oil in end-use areas, and promote new forms of energy use such as new energy vehicles, heat pumps and electric kilns. During the 13th Five-Year Plan period, the scale of electricity substitution in China exceeded 800 billion kilowatt hours, and the percentage of electricity in end energy consumption increased from 22.1% in 2016 to around 27.0% in 2021. In the future, the percentage of electricity in the end energy consumption market will rise to over 50.0%. On the production and supply side, there is huge potential for wind power and photovoltaic installations in the future.

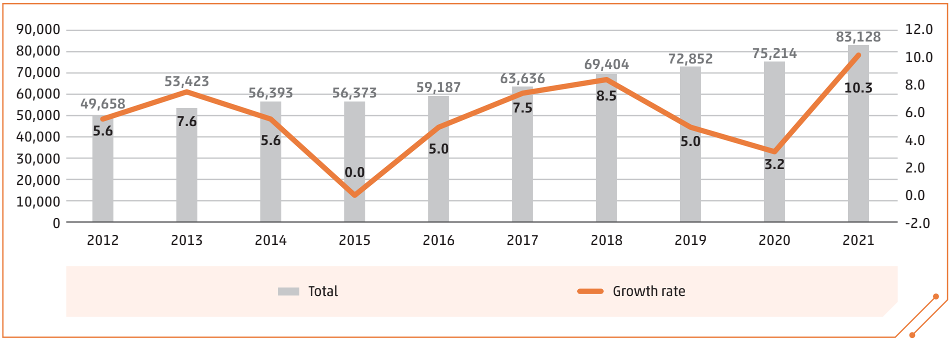


Figure 1: Total electricity consumption and growth rate in China during 2012 - 2021

Energy storage power stations can provide frequency modulation and peak regulation services for power systems, and can significantly increase the consumption of renewable energy sources such as wind power and photovoltaic, which is an important and indispensable part of the global energy transformation to non-carbon. New energy storage is an important technology and basic equipment for the construction of new power systems, and is an important support for achieving the goal of carbon peaking and carbon neutrality. According to market forecasts, the annual global demand for energy storage will be 40 GWh in 2025 and will jump to 10 TWh by the carbon neutral target year of 2060. From 2020 to 2060, the cumulative global demand for energy storage will be 94 TWh, representing a compound annual growth rate of approximately 7.0% for new energy storage.

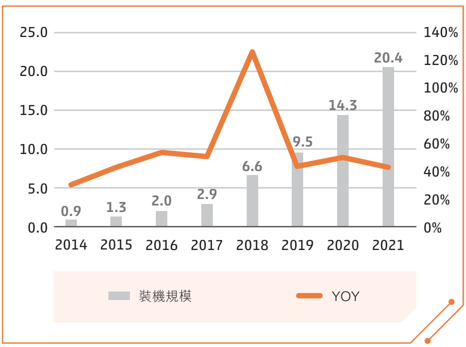
The strategic layout of China's energy storage industry can be traced back to the issuance of the "Renewable Energy Development Guidance Catalogue" (《可再生能源發展指導目錄》) in 2005; energy storage has been included in the outline of the 12th Five-Year Plan in 2011; and the issuance of the first guiding document of the energy storage industry by the National Energy Administration in 2017, the "Guiding Opinions on Promoting the Development of Energy Storage Technology and Industry" (《關於促進儲能技術與產業發展的指導意見》). In 2019, the Office of the State Council issued the "Strategic Action Plan for Energy Development (2019-2020)" (《能源發展戰略行動計劃(二零一九至二零二零年)》), which explicitly stated that "the level of renewable energy utilisation should be improved. Strengthen the co-ordination of power supply and grid planning, and scientifically arrange for peak regulation, frequency modulation and energy storage support capacity". In September 2020, President Xi Jinping announced at the 75th United Nations General Assembly that China would "strive to peak its carbon dioxide emissions by 2030 and strive to achieve carbon neutrality by 2060", and at the Climate Ambition Summit in November, he announced that by 2030, the percentage of non-fossil energy in China's primary energy consumption would reach around 25%, and the total installed capacity of wind and solar power would reach over 120 GW. The White Paper "China's Energy Development in a New Era" (《新時代的中國能源發展》) clearly prioritises non-fossil energy in energy development and vigorously promotes the replacement of high-carbon energy by low-carbon energy and fossil energy by renewable energy.

China's new energy storage industry is in overall transition to commercialisation, with a steady expansion of market applications. In March 2022, the National Development and Reform Commission and the National Energy Administration officially issued the "14th Five-Year Plan for the Implementation of New Energy Storage Development" (《「十四五」新型儲能發展實施方案》), stating that by 2025, new energy storage will enter a stage of large-scale development and is expected to be fully marketed by 2030. According to data from the Global Energy Storage Project Database of the Zhongguancun Energy Storage Industry Technology Alliance of the China Energy Research Association's Energy Storage Special Committee (中國能源研究會儲能專委會中關村儲能產業技術聯盟全球儲能項目庫數據), the total installed capacity in Mainland China has grown at an average annual rate of approximately 150 GW since 2008 and will maintain this growth rate in the next five years. Accordingly, the corresponding annual demand for electricity frequency modulation is between 1.5 and 2 GW. The electricity frequency modulation market has a promising future, and energy storage and frequency modulation power stations are currently the energy storage system applications with the highest rate of return on investment in the market. With industrial restructuring, the proportion of new energy sources such as wind power and photovoltaic connected to the grid is gradually increasing. Energy storage projects can provide a variety of services such as peak regulation, frequency modulation, backup, black start and demand response support for grid operation, which can enhance the flexibility, economy and safety of traditional power systems and significantly improve the level of consumption of wind power, photovoltaic and other renewable energy sources, promote open sharing and flexible trading of energy production and consumption, and realise multi-energy synergy.

Energy storage power stations can be divided into sides of power generation, grid and consumer depending on the scenario. Electrochemical energy storage can be flexibly deployed on the source, grid and load sides of the power system according to demand, with significant results in all sides. In the power generation side, it can improve the stability and quality of power generation; in the power transmission side, it can reduce the cost of power transmission; in the distribution side, it can relieve the pressure for enterprises and consumers to use power and promote the upgrading and expansion of the power grid; in the power delivery side, it can reduce the cost for enterprises and consumers to use power through arbitrage of the peak-valley difference. Since 2020, the National Development and Reform Commission and other ministries and commissions have proposed that grid side energy storage should be deployed at key nodes to enhance the flexible regulation capacity and safety and stability of the system after large-scale high proportion of new energy and large-capacity DC access. New energy enterprises are encouraged to purchase peak regulation capacity at 15% of the installed capacity, and to accelerate the participation of independent energy storage in the medium and long-term markets and the spot market.

In recent years, both the global and Chinese installed scales of electrochemical energy storage have shown rapid growth. The global installed scale of electrochemical energy storage rose from less than 1 GW in 2014 to 20.4 GW in 2021, representing a compound growth rate of 56.2%; the installed scale of electrochemical energy storage in China also maintained a rapid growth trend over the continuous years, with the installed capacity of electrochemical energy storage increasing from 0.13 GW to 5.12 GW from 2014 to 2021, representing a compound growth rate of 69%. In the first half of 2012, domestic wind power and photovoltaic installations experienced strong demand, driving an explosion in demand for renewable energy distribution and storage on the power generation side. According to the Gaogong Industry Research Institute(高工產研鋰電研究所), in the first half of 2022, the capacity of new energy storage installed in mainland China reached 12.7 GW, 3.7 times of that in the whole of 2021.

Global Electrochemical Energy Storage Installations and Year-on-Year Growth Rate During 2014 – 2021(GW)



Chinese Electrochemical Energy Storage Installations and Year-on-Year Growth Rate During 2014 – 2021(GW)

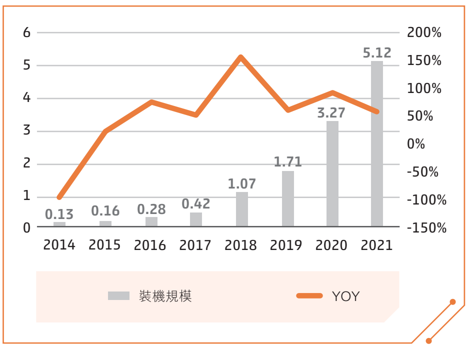


Figure 2: Global and Chinese Electrochemical Energy Storage Installations and Year-on-Year Growth Rate During 2014 – 2021

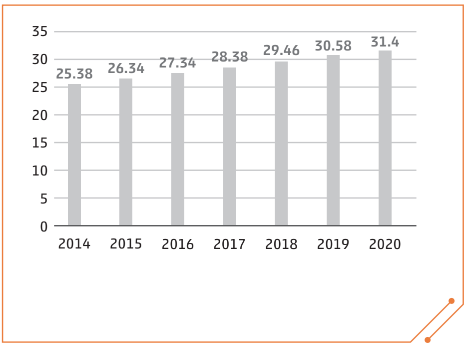
The huge market demand and strong policy support from the national and local governments are conducive to the development of the Group's energy storage and related businesses. The Group will rapidly enter the grid side energy storage market by developing, building and operating large-scale independent energy storage power stations with functions such as two-way regulation for rapid frequency modulation and peak regulation, using electrified energy storage (lithium iron phosphate batteries) with higher energy density and energy conversion efficiency, faster response speed, and flexible power and energy configuration according to different application requirements. The Group will also be able to develop new sources of profit through participation in supplementary services such as spot trading and frequency modulation in the electricity market, as well as capacity leasing of new energy power stations.

RADAR AND RELATED INDUSTRIES

The global radar market scale has been increasing year by year, reaching US$31.4 billion by 2020, with commercial radars accounting for US$12.2 billion of the market and increasing year by year. Amongst the commercial radars, the potential is particularly high for bird detection radar.

Bird striking on aircraft poses serious aviation safety. The bird detection radar uses its vertical and horizontal radar antennas to monitor a large area for flying birds or flocks of birds, and transmits signals in real time to the tower and the relevant bird repellers, warning pilots in advance to change course or return to the point of departure when facing birds. North America is currently the largest regional market for commercial radar in the world at 40.0%, but Asia is the fastest growing region and will continue to close the gap with North America in the next five years. According to global market research firm Grandview Research, the Asia-Pacific commercial radar market will climb at a compound annual growth rate of 5.6% from 2021 to 2027, reaching approximately US$5.2 billion in 2026.

Global Radar Market Size During 2014-2020
(Unit: US$ billion)



Global Military Commercial Radar Market Size
During 2014-2020
(Unit: US$ billion)

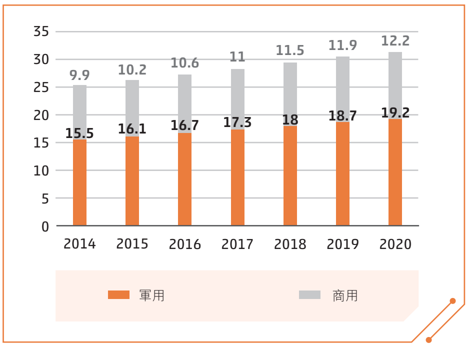


Figure 3: Global Radar Market Size and Distribution During 2014-2020

In recent years, the Central Government has also promulgated a number of regulations and policies that are conducive to the development of the bird detection radar industry. The Department of Airports of the Civil Aviation Administration of China has issued the "Special Action Plan for Improving the Bird Strike Prevention Capability of Transport Airports" (《運輸機場鳥擊防範能力提升專項行動方案》), which aims to launch a three-year special campaign in depth to improve the overall level of bird strike prevention at China's airports. The 14th Five-Year Plan has explicitly proposed to accelerate the construction of world-class port clusters and airport clusters, steadily build regional airports, general aviation airports and cargo airports, and actively develop general aviation. In other words, the current planning of civil aviation resources has gradually transitioned from the "1.0 era" of a single airport and functional orientation to the "2.0 era" of airport clusters, with emphasis on regionalism and synergy. The rapid development of civil airports has created a market demand for bird detection radar and control systems.

In addition, there is a demand for bird detection radar in the fields of substations and wind farms, offshore oil exploration and natural resources. According to the annual statistics on the production and operation of national wind farms by the Technology Development Service Centre of the China Electricity Council (中國電力企業聯合會科技開發服務中心) and the Wind Power Generation Technology Committee of the China Electricity Council (中國電力企業聯合會風力發電技術委員會), the number of wind farms in China has been increasing from 2017 to 2020. The number of wind farms in operation in 2020 reached 2,488, representing an increase of 60.3% as compared with 2017, with a rapid development. As of 1 December 2019, there were 634 operational drilling rigs (only drilling vessels, semi-submersible drilling rigs and jack-up drilling rigs were counted) in the world. According to BP data, China's identified oil reserves amounted to 26.19 billion barrels in 2019, accounting for 1.5% of the world's total. According to Baseoe Offshore, an offshore drilling platform consultancy, China has nearly 60 offshore platforms and there is a huge demand for bird detection radar systems and bird protection for the offshore platform segment alone. As for natural resources, according to statistics, 201 wetland parks were added during the 13th Five-Year Plan period, bringing the total number of national-level wetland parks to 899. In summary, the market demand for bird detection radar in various fields in mainland China will reach hundreds of billions of RMB. The market for high-end commercial bird detection radars, in which the Group is involved, is promising.

Figure 4: Warning Radar for Bird Strike Prevention

DEVELOPMENT AND OUTLOOK

As we enter the second half of 2022, the global economic slowdown continues and the pandemic has had a significant impact on companies of all sizes. The Group is cautious about the future development of the economy and the industry. We will focus on stabilising our core SMT and semiconductor equipment manufacturing and related businesses, consolidating our strength in independent research and development to enhance our brand influence and competitiveness, and at the same time seizing the opportunity to actively develop energy storage and radar-related businesses to increase our profit stream and create greater value for our shareholders.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to the management and all staff, business partners for their efforts and trust in Sino ICT, and shareholders who have been supporting the Group !

Chairman
Yuan I-Pei

Hong Kong

31 August 2022

BUSINESS REVIEW

During the Period, the Group was principally engaged in the SMT and semiconductor equipment manufacturing and related businesses, with new businesses in energy storage and bird detection radar, and continued to stay tuned in its securities investment business.

The Group prepares its financial statements in accordance with Hong Kong Financial Reporting Standards. In the first half of the year, the Group recorded a loss attributable to equity holders of approximately HK$1,862,000 and a total comprehensive loss of approximately HK$8,359,000, both of which were slightly lower than the performances in the corresponding period last year. The Group recorded a total revenue and gain on securities investment of approximately HK$143,749,000 for the six months ended 30 June 2022, representing a decrease of 26.7% as compared with the corresponding period last year. Revenue from the SMT and semiconductor equipment manufacturing segment, the Company's principal business, amounted to approximately HK$142,165,000, representing a decrease of 20.7% as compared with the corresponding period last year.

The Group's overall business performance in the first half of the year was less than expected, it was mainly attributable to the establishment of joint ventures and subsidiaries in the first half of this year in line with the Group's strategic plan to expand new businesses. The newly established companies are now in the investment period and therefore the related expenses have increased. Furthermore, exchange rate fluctuations were relatively high during the Period, resulting in an increase in foreign exchange losses; gains from investment in securities decreased; in addition, the pandemic of COVID-19 continued and the domestic outbreak in China spread to many places, which also affected the SMT equipment manufacturing business of the Group. However, as the national situation in epidemic control was turning for the better and the Purchasing Managers' Index of China's manufacturing industry returned to above the threshold in June, the Group expects the economic performance to pick up in the second half of the year.

SMT & SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS

During the reporting period, almost all of the Group's revenue was derived from SMT and semiconductor equipment manufacturing related businesses, which contributed over 90% of the Group's gross profit and were the core of the Group's business development.

During the Period, the segment's business revenue decreased year-on-year to approximately HK$142,165,000, the segment's gross profit decreased year-on-year to approximately HK$63,945,000, net distribution costs decreased in line with the decline in sales volume, and administrative expenses increased year-on-year but remained manageable. In summary, although the segment's profit before income tax was lower than the corresponding period last year, the Group believes that the segment's business performance was in line with expectations, considering the slow development of the manufacturing industry as a whole during the Period due to the pandemic.

The Group continues to deepen the research and development, and manufacturing of SMT and semiconductor equipment while continually upgrade the technology and equipment related to the segment to expand its product applications and customer base.

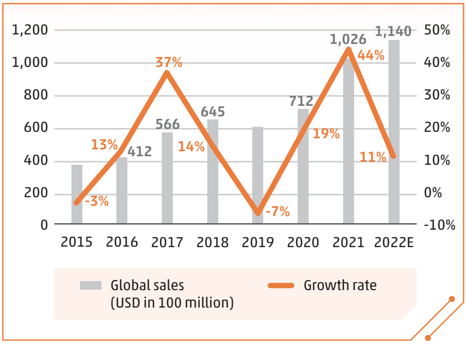
SMT & SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS (CONTINUED)

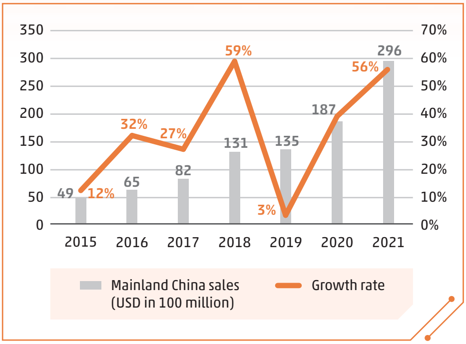
The Mini LED display market is promising and may open up new incremental markets for LED displays. Mini LED offers the advantages of seamless stitching, wide colour gamut, low energy consumption, long life and high resolution for a wide range of applications including Mini LED TV products which have seen an increase in demand in recent years. According to Arizton's forecast, the global Mini and Micro LED market will exceed US$1 billion this year. Relying on its extensive experience and proven capability, the Group has developed full nitrogen reflow soldering equipment that can meet the requirements of Mini LED soldering, which was certified by renowned companies in the industry and successfully sold during the Period. We anticipate that with technological optimisation and cost reduction, Mini LED displays will gradually shift from commercial applications to consumer electronics applications. It is believed that through continuous technological research and development, the Group will be able to drive the commercialisation of Mini LED technology and continue to provide quality equipment and professional supporting services to our customers.

The new energy vehicle industry chain is strong, with supply, demand and policy moving in a positive direction, driving incremental demand for charging piles. In the first five months of this year, domestic sales of new energy vehicles accumulated 2,003 thousand units, representing a penetration rate of 21.0%, which reflects that the industry has shifted from policy-oriented to demand-driven. Even though the pandemic led to a month-on-month drop in sales in April, sales in the month were still over 40% higher than the corresponding period last year, reflecting the trend of vehicle companies prioritising the supply of new energy vehicles and actively promoting the transformation of vehicles into electric vehicles. The Company believes that the development of new energy vehicles in China will continue to gain momentum which results in a stable market expectations. According to data from the China Electric Vehicle Charging Infrastructure Promotion Alliance, the total charging capacity in China reached 11.15 billion kilowatt hours last year, representing a year-on- year increase of 58.0%. Due to the high charging efficiency of DC charging piles, we expect a growing share of DC charging piles and a promising market prospects in the future.

China's semiconductor market sales reach new highs. The domestic semiconductor industry has accelerated its capacity expansion due to the shortage of chips and industry promotion, with equipment sales of US$29.6 billion in 2021, representing a year-on-year increase of 56.0% and accounting for 29.0% of global semiconductor equipment sales, with a growth rate much faster than the global average. SEMI estimates that the global semiconductor equipment market will further expand to approximately US$114 billion in 2022 and that the semiconductor equipment market in China will once again become the largest one in 2023. Therefore, the Company believes that China's semiconductor equipment industry will continue to grow at a rapid pace. The Group's self- developed semiconductor reflow soldering machine is an essential equipment in the chip packaging and IC production and manufacturing process of the semiconductor industry. Relying on the industry momentum, it is believed that the Group's reflow soldering machine, wave soldering machine, selective wave soldering machine, vertical curing oven, tunnel oven, IC soldering machine and other related equipment will achieve incremental demand and drive large-scale production, which will be beneficial to the Group in strengthening its brand and generating revenue from its operations.

SMT & SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS (CONTINUED)





Source: Wind, SEMI, Great Wall Glory Securities Institute
Note: 2021, 2022E data from SEMI, rest from Wind

Source: Wind, SEMI, Great Wall Glory Securities Institute

Chart: Sales and Growth Rate for Global and Mainland China Semiconductor Equipment

In respect of market promotion, exhibitions the Group planned to participate in, namely the productronica China 2022, NEPCON CHINA 2022, and the 20th China International Semiconductor Expo were either put off or cancelled by the organisers under the requirements of the local pandemic prevention and control policy. The Group will closely monitor related information concerning the exhibitions in the second half of 2022, so as to seize marketing opportunities.

In summary, the Company is of the view that although the SMT and semiconductor equipment manufacturing related industries have been hampered by the pandemic and other factors which led to poor business performance during the Period, the industry's prosperity will remain high and the market potential to be released in the second half of this year when the economy gradually picks up is expected to facilitate a full recovery of the industry. The Group will also continue to focus on SMT and semiconductor manufacturing related businesses as the core of our businesses to help achieve a better-quality, more efficient enterprise.

ENERGY STORAGE BUSINESS

In the first half of this year, the management of the Group actively explored potential development opportunities in the related industries on the basis of maintaining normal corporate operations, and setting up joint ventures in the energy storage and bird detection radar industries to seek new businesses and develop new strategies for the long-term development of the Company.

In 2020, the central government of China proposed the "Dual Carbon" goal of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060, and local governments have adopted complementary policies to support their energy industry. Taking the national goal as its own responsibility, the Group seized the historical opportunity of the rapid development of the new energy industry and actively expanded into the energy storage market. At the end of 2021, the Group's wholly-owned subsidiary Sino ICT Technology Macao and Shenzhen Qianhai Dongfang New Energy Co., Ltd.* (深圳前海東方新能源有限公司) established a joint venture, Sino New Energy Utilisation (Hengqin) Technology Co., Ltd.* (中鑫電聯(珠海橫琴)能源科技有限公司), to enter the trillion-level electricity service market, focusing on the provision of electricity storage and peak regulation solutions as well as project operation and management.

The Group plans to develop and construct independent energy storage stations in Shanxi, Henan and other inland industrial provinces to participate in peak and frequency regulation services on the grid side, and provide storage capacity leasing services for new energy stations in the region to ensure a safe and stable supply of electricity under restricted conditions such as large-scale grid integration and cable repair and expansion. The project is in process at the time and parts of which have already obtained filing certificates from the local development and reform department and energy supervision department, with other related pre-approval work in progress.

China has a large and complex electricity system. The importance of the energy storage industry is becoming increasingly apparent as the rising share of green electricity increases the instability of the electricity supply in the face of the carbon neutrality wave. According to Tianfeng Securities' estimates, in 2025, the installed capacity of energy storage on the domestic electricity generation side is expected to reach 68.4 gigawatt hours, while the demand for independent energy storage on the grid side will reach 13.8 gigawatt hours, totalling installed capacity of energy storage of 80 gigawatt hours. The Company expects the renewable energy sector to enter a phase of high-quality growth within a few years, and with technological advances and economies of scale driven by markets such as electric vehicles, the energy storage industry will also move steadily into a phase of commercial production. The rapid and flexible deployment of energy supply in the storage industry will benefit utilities, grid operators and end-users etc., resulting in significant market demand.

The Company believes that the favourable policies have created an environment for the energy storage industry to heat up and grow in the market and that the industry is gaining momentum. The Group's early deployment of the new energy storage industry will benefit it in achieving long-term development and its investors. It is also a strong proof of its integration into the national low-carbon development process and taking of corporate social responsibility.

* For identification purposes only.

RADAR BUSINESS

Early in the year, through Sino ICT Technology Macao, the Group and Meilin DeTect (Beijing) Technology Co., Ltd.* (梅林泰特 (北京) 科技有限公司) established a joint venture, Sino DeTect Technology (Haining) Co., Ltd.* (芯泰智能科技 (海寧) 有限公司) which is principally engaged in the research and development, manufacture and sales of commercial bird detection radar equipment and control systems in the Greater China region.

Since its commencement of operation, the joint venture has been actively promoting the localisation progress of the bird radar operation and the software and hardware systems and plans to launch two prototypes of the radar system by the end of the year with the preliminary ability to sell the products. At the same time, the Company will actively participate in the construction of the national upper-air bird avoidance system by virtue of its technical advantages.

The Company expects that in 2025, China's airports will build three world-class airport clusters in the Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, and the huge throughput will drive incremental demand for bird detection radar products. The Group believes that the addition of the radar business is timely and appropriate which will help the Company achieve strategic transformation and technological advancement.

SECURITIES INVESTMENT BUSINESS

For the securities investment segment, the Group adopts a low-frequency trading strategy, focusing on upstream and downstream companies that are synergistic with the Company's principal business, SMT equipment manufacturing, and investing in high-tech companies listed on the Stock Exchange, with a particular focus on quality companies in the semiconductor industry. In view of the volatile market conditions and the suppressed investment climate in recent years, the Company also closely monitors market movements and manages its securities investment activities prudently to minimise investment risks. During the six months ended 30 June 2022, the Group revitalised its portfolio of securities on a risk-controlled basis and disposed of its holdings decisively, quickly and accurately to better lock in investment profits and avoid the impact of share price volatility on the Company's profit.

Specifically, the majority of the Group's shares in GUODIAN TECH (stock code: 1296.HK) were sold earlier, taking into account the macroeconomic situation and the performance of the Hong Kong stock market. Subsequently, the listing for GUODIAN TECH on the Stock Exchange was withdrawn with effect from 9:00 a.m. on 30 May at a privatisation price of HK$1.08 per share. The Group's investment in GUODIAN TECH at that time amounted to 1,000,000 shares and the total amount received for the privatisation was approximately HK$1,079,200 (net of transaction costs), representing an investment gain of HK$500,000. As of 30 June 2022, the Company's financial assets measured at fair value through profit or loss totalled approximately HK$127,490, representing less than 1% of its total assets, effectively avoiding possible revenue risk arising from fluctuations in the securities market and protecting the interests of investors.

The Group has put in place a rigorous reporting mechanism for its securities investment business. The management will continue to closely monitor the performance of various investment activities in order to minimise investment risks and protect the safety of investments.

* For identification purposes only.

SECURITIES INVESTMENT BUSINESS (CONTINUED)

Name of investee	Total investment gain for the six months ended 30 June 2022 *HK$'000* (Unaudited)
GOME FIN TECH (stock code: 628.HK)	19
GUODIAN TECH (stock code: 1296.HK)	500
	519

The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK$127,490 as at 30 June 2022:

Name of investee	Financial assets at fair value through profit or loss as at 30 June 2022 *HK$'000* (Unaudited)	Approximate percentage of total financial assets at fair value through profit or loss %
GOME FIN TECH	127	100
	127	100

FINANCIAL REVIEW

Income

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

	Six months ended 30 June 2022 *HK$'000* **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
SMT equipment manufacturing and related business	**142,165**	179,248
Securities investment	**519**	14,038
Comprehensive services	**1,065**	2,841
	143,749	196,127

Other Gains

During the Period, the Group recorded other gains of approximately HK$1,195,000 mainly attributable to government grants.

Distribution Costs

During the Period, the Group recorded distribution costs of approximately HK$25,678,000, representing a decrease of approximately HK$2,120,000 as compared to the six months ended 30 June 2021, mainly due to the decrease in sales.

Administrative Expenses

During the Period, the Group recorded administrative expenses of approximately HK$38,995,000, representing an increase of approximately HK$10,185,000 as compared to the six months ended 30 June 2021.

Finance Costs, Net

During the Period, the net finance costs amounted to approximately HK$495,000, representing a decrease of approximately HK$6,718,000 as compared to the six months ended 30 June 2021, mainly due to the decrease in interest expense.

(Loss)/Profit for the Period

Based on the abovementioned, the loss attributable to the equity holders of the Company for the Period was approximately HK$1,862,000.

Earning before Interest, Tax, Depreciation and Amortisation

The following table illustrates the Group's earnings before interest, tax, depreciation and amortisation for the respective periods. The Group's earning ratio before interest, tax, depreciation and amortisation was approximately 1.31% for the Period.

	Six months ended 30 June 2022 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2021 *HK$'000* (Unaudited)
(Loss)/profit for the Period attributable to equity holders of the Company	**(1,862)**	32,887
Finance costs, net	**495**	7,213
Income tax expense	**63**	4,890
Depreciation and amortisation	**3,181**	3,020
Earning before interest, tax, depreciation and amortisation	**1,877**	48,010

Gearing Ratio

With reference to the borrowing to the total equity attributable to the equity holders of the Company as at 30 June 2022, the gearing ratio of the Group was 27.03%.

Operating Capital Management

At 30 June 2022, the Group held cash and bank balances of approximately HK$269,603,000, representing a decrease of approximately HK$38,859,000 comparing with approximately HK$308,462,000 as at the beginning of the Period. During the Period, the Group recorded the average debtors' turnover days of approximately 185 days (31 December 2021: 95 days), the average creditor turnover days of approximately 152 days (31 December 2021: 82 days), and the average inventory turnover days of approximately 197 days (31 December 2021: 83 days).

Charges on the Groups Assets

At 30 June 2022, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) a first legal charge on the Group's certain land and properties, which had an aggregate net book value at the reporting date of HK$78,426,000.

Equity and Liabilities

At 30 June 2022, the Group's net assets was approximately of HK$340,230,000, compared with the net assets of approximately HK$348,589,000 at 31 December 2021. Decrease in equity during the Period was approximately HK$8,359,000.

Employees

At 30 June 2022, the Group employed approximately 369 staff and workers in Mainland China and approximately 21 staff in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on industry's practice. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides employee benefits including retirement scheme and performance bonuses.

OPERATIONAL RISK

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

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

FINANCIAL RISK

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

CREDIT RISK

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

LIQUIDITY RISK

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

FOREIGN EXCHANGE RISK

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

PRICE RISK

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2022, not of the directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDER'S INTEREST IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, 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 or Divisions 2 and 3 or Part XV of the SFO:

Long Positions in the Shares

Name of Shareholder	Nature of Interest	Number of the ordinary shares held	Approximate percentage of total shareholding %
Substantial Shareholders			
Sino Xin Ding Limited *(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 as disclosed above, the Company had not been notified of any other person (other than the directors or chief executive of the Company) who had an interest (whether direct or indirect) or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under section 336 of the SFO as at 30 June 2022.

* For identification purposes only

CORPORATE GOVERNANCE PRACTICES

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

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established the Audit Committee (the "Committee") in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group's interim results for the six months ended 30 June 2022 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, regulations and the Stock Exchange's requirements, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 2021: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

PUBLICATION OF INTERIM REPOERT ON THE STOCK EXCHANGE'S WEBSITE

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

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2022 and the six months ended 30 June 2021 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

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