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

INTERIM REPORT 2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

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)*
Mr. CUI Yuzhi
Mr. PING Fan

COMPANY SECRETARY

Mr. LIU Wei

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKER

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

AUDITOR

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 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Revenue	5	117,039	143,749
Cost of sales		(62,734)	(78,225)
Gross profit		54,305	65,524
Other income	7	3,815	1,195
Other losses, net		(2,079)	(3,225)
Distribution costs		(20,479)	(25,678)
Administrative expenses		(66,164)	(38,995)
Finance income	8	1,176	1,593
Finance costs	8	(13,832)	(2,088)
Finance costs, net	8	(12,656)	(495)
Share of result of a joint venture		(296)	5
Share of results of associates		(2,924)	(130)
Loss before income tax		(46,478)	(1,799)
Income tax expenses	9	(526)	(63)
Loss for the Period		(47,004)	(1,862)
Other comprehensive expense for the Period			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(226)	(6,497)
Other comprehensive expense for the Period, net of tax		(226)	(6,497)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2023 HK$'000 (Unaudited)	Six months ended 30 June 2022 HK$'000 (Unaudited)
Total comprehensive expense for the Period		**(47,230)**	(8,359)
Loss for the Period attributable to:			
Owners of the Company		**(27,959)**	(1,862)
Non-controlling interests		**(19,045)**	–
		(47,004)	(1,862)
Total comprehensive expense for the Period attributable to			
Owners of the Company		**(28,185)**	(8,359)
Non-controlling interests		**(19,045)**	–
		(47,230)	(8,359)
Loss per share for loss attributable to owners of the Company			
Basic and diluted	*11*	**(1.92) HK cents**	(0.13) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2023 *HK$'000* (Unaudited)	As at 31 December 2022 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		434,371	449,446
Investment properties		29,768	29,768
Right-of-use assets		34,611	35,375
Intangible assets		20,836	27,811
Interests in associates		9,801	12,735
Interest in a joint venture		8,830	9,346
Financial assets at fair value through profit or loss ("FVTPL")		17,661	18,765
Deferred income tax assets		3,183	3,705
Trade and other receivables	*12*	–	7,054
		559,061	594,005
Current assets			
Inventories		37,224	23,450
Trade and other receivables	*12*	239,047	266,755
Financial assets at FVTPL		70	85
Cash and cash equivalents		176,463	273,446
		452,804	563,736
Total assets		1,011,865	1,157,741
Equity and reserves			
Share capital		145,500	145,500
Share premium		95,240	95,240
Other reserves		25,919	26,145
Retained profits		22,120	50,079
Equity attributable to owners of the Company		288,779	316,964
Non-controlling interests		17,508	36,553
Total equity		306,287	353,517

	Notes	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	440,601	442,290
Lease liabilities		12,850	12,230
Deferred income		684	783
Deferred income tax liabilities		8,001	7,994
		462,136	463,297
Current liabilities			
Trade and other payables	13	214,699	294,017
Contract liabilities		7,006	6,177
Bank and other borrowings	14	10,858	28,631
Lease liabilities		8,422	9,819
Income tax payables		2,457	2,283
		243,442	340,927
Total liabilities		705,578	804,224
Total equity and liabilities		1,011,865	1,157,741
Net current assets		209,362	222,809
Total assets less current liabilities		768,423	816,814

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000*	Retained profits/ (Accumulated losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2023	145,500	95,240	26,145	50,079	316,964	36,553	353,517
Loss for the Period	–	–	–	(27,959)	(27,959)	(19,045)	(47,004)
Exchange differences on translation of foreign operations	–	–	(226)	–	(226)	–	(226)
Total comprehensive expense	–	–	(226)	(27,959)	(28,185)	(19,045)	(47,230)
As at 30 June 2023 (Unaudited)	145,500	95,240	25,919	22,120	288,779	17,508	306,287
As at 1 January 2022	145,500	95,240	33,266	74,583	348,589	–	348,589
Loss for the Period	–	–	–	(1,862)	(1,862)	–	(1,862)
Exchange differences on translation of foreign operations	–	–	(6,497)	–	(6,497)	–	(6,497)
Total comprehensive expense	–	–	(6,497)	(1,862)	(8,359)	–	(8,359)
As at 30 June 2022 (Unaudited)	145,500	95,240	26,769	72,721	340,230	–	340,230

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(54,628)**	(26,447)
NET CASH USED IN INVESTING ACTIVITIES	**(17,507)**	(5,325)
NET CASH USED IN FINANCING ACTIVITIES	**(21,205)**	(1,722)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(93,340)**	(33,494)
Cash and cash equivalents at the beginning of the Period	**273,446**	308,462
Effect of foreign exchange rate changes on cash and cash equivalents	**(3,643)**	(5,365)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**176,463**	269,603

1. GENERAL INFORMATION

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

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

The Group principally engaged in (i) Surface Mount Technology ("SMT") equipment manufacturing; (ii) energy storage business, which develops, constructs and operates energy storage power stations in the PRC ("Energy Storage Business"); and (iii) radar business, which focuses on the manufacturing of advanced domestic radar hardware, and the development, application and system integration of radar intelligent software ("Radar Business").

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

The condensed consolidated interim financial information was approved for issue by the Board on 31 August 2023.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2023 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").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

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 new and amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are effective for the six months ended 30 June 2023, 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 2022.

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the new and amended HKFRSs had no material impact on the financial performance and position of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2022.

5. REVENUE

The Group's revenue recognised during the Period is as follows:

	Six months ended 30 June 2023 *HK$'000* **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Revenue from contracts with customers		
Production and sales of industrial products	**116,757**	143,230
Sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal	**297**	–
	117,054	143,230
Revenue from other sources		
Realised and unrealised (losses)/gains on listed equity securities	**(15)**	519
	117,039	143,749
Timing of revenue recognition		
At a point in time	**117,054**	143,230

6. SEGMENT INFORMATION

The Group identifies operating segments based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

In the Period, the presentation of reportable segments of the Group are revised as the CODM believes the current segments could provide better summary to them in reviewing the Group's operating performance and making decision in resource allocation. Accordingly, the comparative figures of the segments have been re-presented for the purpose of presenting segment information.

During the year ended 31 December 2022, the Group commenced two new operating and reporting segments, namely (i) Energy Storage Business; and (ii) Radar Business. Details of the Radar Business are set out in the Company's announcement dated 17 November 2022. The securities investment segment was insignificant to present as a separate segment and grouped under unallocated segment.

The segment information for the six months ended 30 June 2023 is presented as follows:

	Production and sales of industrial products *HK$'000*	Energy storage business *HK$'000*	Radar business *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	114,488	–	297	2,254	117,039
Segment gross profit	51,870	–	181	2,254	54,305
Other income	3,810	–	5	–	3,815
Other losses, net	(1,152)	–	–	(927)	(2,079)
Distribution costs	(20,479)	–	–	–	(20,479)
Administrative expenses	(22,799)	(21,845)	(10,075)	(11,445)	(66,164)
Finance costs, net	(2,436)	(10,579)	(116)	475	(12,656)
Share of result of a joint venture	–	–	–	(296)	(296)
Share of results of associates	–	–	–	(2,924)	(2,924)
Profit/(Loss) before income tax	8,814	(32,424)	(10,005)	(12,863)	(46,478)

6. SEGMENT INFORMATION (CONTINUED)

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

	Production and sales of industrial products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from external customers	142,165	1,584	143,749
Segment gross profit	63,945	1,579	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 result of a joint venture	–	5	5
Share of results of associates	–	(130)	(130)
Profit/(Loss) before income tax	14,359	(16,158)	(1,799)

7. OTHER INCOME

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Income from sales of scraps	**58**	64
Governement grants	**3,757**	1,131
	3,815	1,195

8. FINANCE COSTS, NET

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Finance income		
Interest income from bank deposits	**1,176**	1,593
Finance costs		
Interest expenses on bank and other borrowings	**(13,832)**	(2,088)
Finance costs, net	**(12,656)**	(495)

9. INCOME TAX EXPENSES

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Current tax		
PRC Enterprise Income Tax	**526**	63

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the Period attributable to owners of the Company) *(HK$'000)*	**(27,959)**	(1,862)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per shares *(in thousands)*	**1,455,000**	1,455,000
Basic and diluted loss	**(1.92) HK cents**	(0.13) HK cents

12. TRADE AND BILLS RECEIVABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition if earlier) is as follows:

	As at 30 June 2023 *HK$'000* (Unaudited)	As at 31 December 2022 *HK$'000* (Audited)
0 – 90 days	**28,464**	45,589
91 – 180 days	**11,731**	16,726
Over 180 days	**18,859**	13,312
	59,054	75,627

13. TRADE AND BILLS PAYABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade and bills payables based on the invoice date is as follows:

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
0 – 90 days	23,076	11,553
91 – 120 days	475	931
Over 120 days	41,216	3,748
	64,767	16,232

14. BANK AND OTHER BORROWINGS

	As at 30 June 2023 HK$'000 (Unaudited)	As at 31 December 2022 HK$'000 (Audited)
Current		
Secured bank borrowing	10,858	11,191
Secured other borrowing	–	17,440
	10,858	28,631
Non-current		
Secured bank borrowing	127,360	136,862
Secured other borrowing	313,241	305,428
	440,601	442,290
	451,459	470,921

The secured bank borrowing are secured by the Group's properties.

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 ended 30 June 2023 (the "Period").

OVERVIEW

In recent years, trade protectionism and geopolitics have been intensifying, and the industrial supply chain in various countries has shifted from focusing on costs, efficiency, technology to safety, stability and politics, which has shown signs of regionalisation, fragmentation and fragmentation. This trend has impacted the global economic growth momentum which resulted in the slowdown of global economic growth. In the first half of 2023, although the United States inflation rate showed some signs of decline, the weakening of economic indicators has impeded the recovery process. In Europe, the economic recovery is still uncertain due to various pressures such as the energy crisis, high inflation rate and the shrinkage of the manufacturing industry. In the Greater China region, although some countries have implemented counter-globalisation measures such as decoupling and disruption of industrial and supply chains on the grounds of national security and ideology, some short-term fluctuations have occurred as a result, with the recovery of the society as a whole in the region in the wake of epidemic, the macro-policy has begun to take effect, evidenced by the fact that the economy has continued to recover and has shown resilience and vitality. Against this challenging macro-economic background, the Group has been adopting a prudent business strategy throughout the reporting period, focusing on the operation of SMT and semiconductor manufacturing and related businesses, and actively developing the energy storage business and radar business to create greater commercial value for the Group.

BUSINESS REVIEW

During the Period, the Group was principally engaged in SMT and semiconductor equipment manufacturing and related business, energy storage business and radar business. For the six months ended 30 June 2023, the Group's revenue amounted to approximately HK$117,039,000, gross profit was approximately HK$54,305,000, representing a year-on-year decrease, but the overall gross profit margin increased slightly from 45.6% for the corresponding period last year to 46.4%. The loss attributable to owners of the Company for the Period amounted to approximately HK$27,959,000, which was mainly attributable to the fact that the energy storage business and radar business were still in the early stage of investment, and the delay in revenue generation and the economic development after the pandemic was subject to external environment disruptions and constraints, which in turn affected the revenue performance of the industry. Nevertheless, the Group's overall financial, business and operating position remains healthy.

At the end of 2021, the Group's 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 Sino New Energy Utilisation (Hengqin) Technology Co., Ltd.* (中鑫電聯(珠海橫琴)能源科技有限公司) ("Sino New Energy"), to tap into the energy storage business and establish, develop and operate a grid-side independent shared energy storage power stations project. In March this year, the construction and operation of Phase I of the Herong Power Station in Datong City of Shanxi Province, which was designed, invested, constructed, and operated independently by Sino New Energy, was completed successfully, and a formal grid integration and commissioning was carried out in May. The power station project, with a total planned installed capacity of 500 MW/1,000 MWh, occupying a site area of 96.07 mu and is the first new grid-side energy storage power station in the country that completely conducts spot transactions and provides auxiliary services. It is expected that the Group will be able to generate sustainable revenue from the power station from the end of 2023 at the earliest.

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) ("Sino DeTect"). In July of the same year, Sino DeTect Technology (Guangdong) Co., Ltd.* (芯泰智能科技 (廣東) 有限公司) was established as a subsidiary of Sino DeTect, which tapped into radar business. The company is principally engaged in the research and development and manufacturing of hardware, intelligent software development and application of advanced domestic radars, system integration, with the strategic development focus of the Guangdong-Hong Kong-Macau Greater Bay Area, based on Greater China region to provide global access to bird detection equipment, ancillary technology and scenario application software and systems to tailor one-stop bird detection and repellent solutions to customers. To date, Sino DeTect is in the process of investing in the development of domestic low-altitude monitoring radar systems and Birdstrike Avoidance Radar Nemesis-Shield S8 series which is based on two-coordinates solid pulsating Doppler balance-beam radar technology with a high and vertical radar antenna and has adopted a unique radar signal processing technology and algorithms. It can effectively detect bird targets of 3cm in diameter within the effective distance of up to 10 kilometers, realising precise detection. For the six months ended 30 June 2023, the revenue of the radar business segment was approximately HK$297,000.

* *For identification purposes only*

INDUSTRY TREND

SMT and semiconductor equipment manufacturing related industries

Electronic assembly technology is an integral part of modern electronics advanced manufacturing technology, 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.

In the first half of 2023, the electronic consumer market and the electronic manufacturing industry continued to be affected by the external environment and the manufacturing Purchasing Managers' Index remained volatile. This indirectly led to a slowdown in the development of the SMT and semiconductor equipment manufacturing related industries and is expected to remain unchanged for the next one to two years. However, in the long run, the electronic consumer market will develop with a promising future. In terms of display technology, with the continuous optimisation of Mini LED technology, the Mini LED display will quickly be widely used in high-end conference rooms, multi-functional halls, electronic sports and medical imaging. According to Arizton, the global Mini/Micro LED market size is expected to exceed US$2 billion in 2023, with a high growth rate of more than 145% per annum. In the future, along with the decrease in costs and the upgrading of technology, the Mini LED display will gradually shift from commercialised applications to consumer electronics, opening up new incremental markets for the Group's related equipment products.

In addition, in the next five years, 5G, artificial intelligence, Internet of Things (IoT), industrial 4.0, cloud server, storage equipment and automotive electronics will become a new direction to drive the demand for SMT and semiconductor equipment. For example, an artificial intelligence technology represented by ChatGPT will drive a significant outbreak in the demand for AI servers and artificial intelligence products. With the strong support from policy support for the promotion of new energy vehicles, the supply of economical new energy vehicle models continues to be abundant, the market share of China's new energy vehicles has increased significantly from 2.7% in 2017 to 30.1% in May 2023, and is expected to continue to grow at a high speed, which in turn will enlarge the demand across the entire industrial chain, bringing new growth points to the Group.

IoT is the key direction of China's new generation of independent innovation and breakthroughs of information technology. With the continuous development of digital chips, sensors, close-distance transmission, massive data processing and comprehensive integration and application, a large number of new technologies, new products, new applications and new models will be produced to drive the application of IoT in various industries. It is expected that the scale of IoT market in China will exceed RMB7 trillion by 2027, bringing huge business opportunities to the relevant industries and enterprises.

Integrated circuit industry is the foundation and core of the information technology industry. It is a strategic, fundamental, and leading industry which supports economic and social development and safeguards national security. It is also one of the most competitive and dynamic high-tech industries in the world. The sales of integrated circuit industry in China amounted to RMB1,200.61 billion in 2022, representing a year-on-year increase of 14.8%, creating a record high. With the rapid development of information technology and electronic technology, and the increasing demand in the emerging application areas of artificial intelligence, automobile electronics, cloud computing, big data and 5G, the integrated circuit industry in China has continued to grow at a high speed with an increasing market scale in the industry.

The long-term development of the electronics industry will drive the SMT equipment manufacturing industry, and the increase in demand for semiconductor market will also benefit the relevant industries and enterprises in China.

ENERGY STORAGE AND RELATED INDUSTRIES

Power is a fundamental sector of the national economy. The sustained development of China's macro economy has laid a solid foundation for the development of the power industry. According to the data from China Electricity Industry Development Report 2023 (《中國電力行業年度發展報告 2023》) issued by China Electricity Council, the overall electricity consumption in China for the year 2022 was approximately 8,600 billion kilowatt hours, representing a year-on-year increase of 3.6%, and is expected to grow at a rate of approximately 6% in 2023. In the future, the percentage of electricity in the end energy consumption market will rise to over 50%. With the transformation of electricity to green and low carbon, and with the goal of "carbon peaking and carbon neutrality", on the production and supply side, there is huge potential for wind power and photovoltaic installations in the future.

Energy storage is an important means to enhance the adjustment capacity of the power system. 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. The role and value of the energy storage power station are becoming increasingly important, and the energy storage power station is gradually integrated into the management of the regular system. Energy storage technologies include physical energy storage, electrochemical energy storage, thermal energy storage, etc. By the end of 2022, the cumulative installed capacity of the global power storage projects in operation reached 237.2 GW, representing an annual growth rate of approximately 15%. As one of the countries leading the global power storage market, in 2022, China had new power storage projects with installed capacity exceeding the 15 GW for the first time, among which, the new capacity of new energy storage (including electrochemical energy storage) reached a record high of 7.3 GW/15.9 GWh, with a year-on-year increase of 200% in power capacity and a year-on-year increase of 280% in energy capacity. By 2030, the overall installed capacity of China is expected to reach 267 to 376 GW. The Group focuses on electrochemical energy storage (mainly lithium iron phosphate batteries), with high energy density, long service life, and great potential for development.

The rapid development of the industry is driven by policies. According to "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》) issued by the National Development and Reform Commission and the National Energy Administration, by 2025, new energy storage will enter a stage of large-scale development and is expected to be fully marketed by 2030. In the first half of 2023, energy storage policies were intensively introduced with more than 270 energy storage related policies and 19 national policies issued, which were mainly related to the demonstration application and standardised management of energy storage, tariff reform and diversified and intelligent application, leading to the rapid development of the industry.

The huge market demand and strong policy support from the governments are conducive to the development of the Group's energy storage businesses. With keeping up with the pace of the times and seizing market opportunities, the Group rapidly entered 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. 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

Radar is an electronic device that uses electromagnetic waves to detect targets. By emitting electromagnetic wave to the target and receiving its echo, radar can obtain the distance from the target to the electromagnetic wave emitting point, range rate, orientation, height, and other information. Radar technology and product development in China have generally undergone four phases of repair, imitating, self-design, and enhancement of development. With the layout of new infrastructure in China, the scope of downstream applications of the commercial radar has expanded, leading to the rapid development of the radar industry. By 2026, the domestic civil radar market is expected to reach RMB31.35 billion, and the potential is particularly high for bird detection radar.

Bird strike is an event involving aircraft colliding with animals such as birds and bats while taking off and landing or flight or animal activity affecting normal flight activities. The bird is a typical "low, slow and small" target with high mobility and greater difficulty in detecting, tracking, and identifying. Traditional bird observation at the airport is mainly artificial, with a limited number of observations and it is difficult to record data on a 24-hour basis. Radar technology has achieved a series of research results in the "low, slow and small" target area, which has gradually become an important means of bird observation at the airport. In 2019, the Civil Aviation Administration of China commissioned the China Academy of Civil Aviation Science and Technology to initiate the establishment of the Technical Standard for the Technology for the Bird Detection Radar System at the Airports (《機場探鳥雷達系統技術標準》), to standardise the detection, identification and technical verification of birds at the airport at the standard level. In 2022, the Civil Aviation Administration of China issued the Measures for the Prevention and Administration of Bird Strikes and Animal Invasion at Transport Airports (《運輸機場鳥擊及動物侵入防範管理辦法》) and 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 explicitly stated that the airport management authorities should continuously improve the prevention system of bird strike and animal invasion, and actively apply the new technology of bird strike and animal invasion prevention to minimise the damage caused by birds and other animals hitting aircraft, as well as carry out three-year special campaign in depth to improve the overall level of bird strike prevention at China's airports. In addition, the Civil Aviation Administration of China has also formulated the Technology Standards for Drone Detection at Airfield Clearance Zone (《機場淨空區無人機探測技術標準》), which also regulated the detection and identification of non-cooperative drone targets. The rapid development of civil airports and the strong support from government-related policies continue to increase the demand for bird detection radar market.

In addition, the demand for bird-repelling equipment at substations and high voltage transmission towers has become increasingly significant. In an open-air environment, substations and high voltage transmission towers are generally exposed to the risk of line failure resulting from foreign object invasion, which can easily cause equipment trips in single bay, and can even cause loss of load in the power grid. According to the substations and high voltage transmission towers data published in the China Smart Grid Industry Panoramic Map in 2022 (《2022年中國智能電網行業全景圖譜》), it is expected that the market demand for high-end bird-driving devices in the electricity system in China will reach tens of billions in size. For this specific market, the Group has developed a small-scale bird-driving device for detecting and driving birds in combination.

As a result, the potential demand for bird detection and bird repellent equipment in various areas in Mainland China is enormous.

DEVELOPMENT AND OUTLOOK

Entering the second half of 2023, the global economic recovery is weak, the growth slowdown continues, and there are many risks and uncertainties, including the impact of trade fragmentation, the long-term high interest rates, the global debt crisis, the speed of inflation retreat and the intensification of geopolitical games, the impact of the pandemic on enterprises of all sizes has not yet levelled off completely, and the restructuring of global industrial chain and supply chain is accelerating, 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 promoting the development of energy storage and radar businesses to increase the profit stream of the Group and create greater value for our shareholders as soon as possible.

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 2023

BUSINESS REVIEW

During the Period, the Group was principally engaged in SMT and semiconductor equipment manufacturing related business, energy storage business and radar business.

The Group prepares its financial information in accordance with HKFRSs. During the Period, the Group recorded a loss attributable to owners of the Company of approximately HK$27,959,000 and a comprehensive expense of approximately HK$28,185,000. For the six months ended 30 June 2023, the Group recorded a total revenue of approximately HK$117,039,000, representing a decrease of 18.58% year on year. The Group's performance in the first half of 2023 was lower than expected due mainly to the delay in revenue generation of Energy Storage and Radar Businesses for both are still in their investment phase, and the sluggish post-pandemic economic recovery that affects industrial performance and thus the revenue. Notwithstanding the above, the overall financial, business and operating conditions of the Group remain sound.

The Group will stay tuned to the development of various businesses, industrial and market changes, maintain prudent operating practices and seize development opportunities to maximise returns for shareholders.

SMT AND SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS

As of six months ended 30 June 2023, the segment revenue was around HK$114,488,000, representing a decrease of 19.47% compared with the same period last year. The segment gross profit decreased by 18.88% year-on-year to nearly HK$51,870,000, and the profit before income tax was around HK$8,814,000. The segment revenue accounts for 97.82% of the Group's total revenue, and the segment gross profit contributes to 95.52% of the total, demonstrating its core position in the Group's business. During the period, the distribution costs and administrative expenses of this segment were approximately HK$20,479,000 and HK$22,799,000 respectively, both within a controllable range.

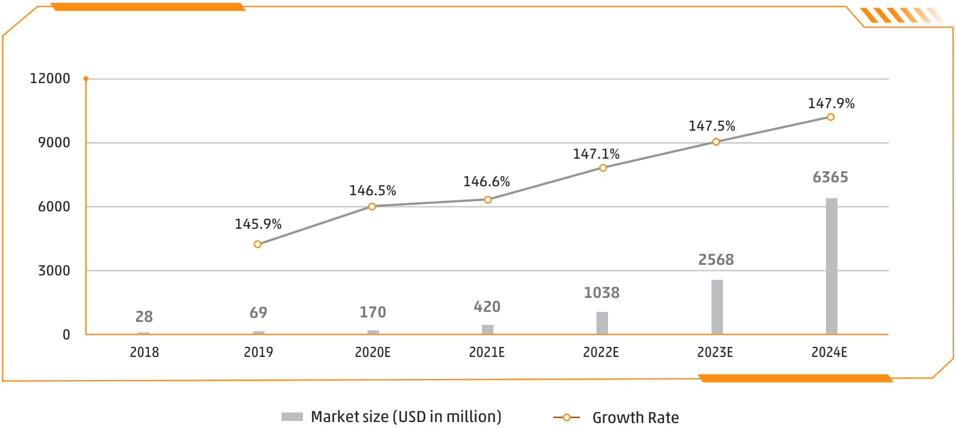
China's Ministry of Industry and Information Technology announced a list of 45 national advanced manufacturing clusters last year; in May, the State Council executive meeting reviewed and approved the "Opinions on Accelerating the Development of Advanced Manufacturing Clusters", further emphasising the dominant position of manufacturing in the national economy. Suneast Intelligent Equipment Technology (Shenzhen) Co., Ltd.* ("Suneast (Shenzhen)"), a wholly-owned subsidiary of the Company, has been serving its clients for over 35 years since the establishment of its Shenzhen site and has competitive advantages among peers. In March, Suneast (Shenzhen) was honoured as a "Specialized and Sophisticated Enterprise" by the Shenzhen Municipal Government, becoming a key player in promoting China's high-quality manufacturing development with its technological innovation capabilities and economic/social contributions well recognised.

In terms of marketing, the Group participated in two exhibitions in the first half of 2023, namely the Productronica China 2023 and the CICD, through which consolidating its brand influence and strengthening its customer base.

SMT AND SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS (CONTINUED)

In terms of industry development, Mini LED and Micro LED have performed well in the high-end display and backlight fields in recent years. During the Period, more than 42 new Mini LED backlight products have been launched with an increasing market share. According to Arizton, the global Mini LED and Micro LED market size will exceed US$2 billion this year. According to Trend Force, global Mini LED TV shipments will reach 4.4 million units with an annual growth rate of 13% this year. With industry leaders' testing the water, Micro LED technology is expected to rapidly expand to glasses, smartphones, automotive displays and other devices. The Group's self-developed full nitrogen-filled reflow oven can meet the high-precision soldering requirements of Mini LED, and the self-developed multi-channel tunnel oven can be used in the encapsulation and curing process. It is believed that the relevant market demand increase will bring positive contributions to the Group's revenue.

Global Market Size and Growth Rate for Mini/Micro LED



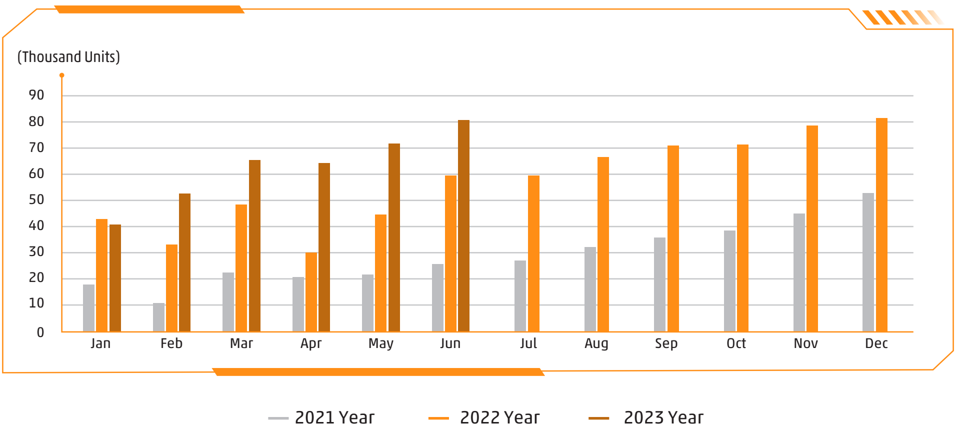
Source: Arizon (including forecast), CITIC Securities Research Department

* *For identification purposes only*

SMT AND SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS (CONTINUED)

In addition, the whole industrial chain demand for new energy vehicles continues to grow. As of May, the market penetration rate of China's new energy vehicles was 30.1%, and the average market penetration rate in the first five months was 27.7%. According to the China Association of Automobile Manufacturers, in June, the production and sales of China's new energy vehicles were 784,000 and 806,000 with a month-on-month increase of 9.9% and 12.5% respectively. The Group's tunnel oven is suitable for the packaging and curing process of electronic control modules of new energy vehicles, securing the system's safety and reliability, and is highly renowned and widely used. The China Business Industry Research Institute predicts that by 2025, the assembly rate of China's intelligent networked systems in the automotive industry will reach 83%, and vehicle shipments will increase to 24.9 million units, with a CAGR of 16.1%. Thus, the widespread intelligent network technology and growing acceptance of automobile intelligence will simultaneously drive the market expansion of China's Internet of Vehicles.

New Energy Vehicle Sales in Month



Source: China Association of Automobile Manufacturers

SMT AND SEMICONDUCTOR EQUIPMENT MANUFACTURING RELATED BUSINESS (CONTINUED)

China is a the global electronics manufacturing centre and the largest exporter of electronic products. With the accelerated development of the semiconductor industry, the market demand for China's semiconductor equipment has increased significantly, jumping from less than 10% ten years ago to 26.3% in 2022, and constituting the largest global market share for three consecutive years. According to the statistics, the global sales of semiconductor equipment in 2022 was US$107.65 billion, with a year-on-year increase of 4.9%. It is predicted that the sales of China's semiconductors equipment will hit a new high this year-end. Driven by demographic dividends, industrial policies and market demand, the semiconductor industry in China has developed rapidly, as well as the market size of the integrated circuit industry, which is expected to drive the growth of the printed circuit board ("PCB") market and stimulate market interest in financing semiconductor equipment companies. Meanwhile, as AI technology-driven tools such as ChatGPT become widely used in scenarios like the Internet of Things, big data, cloud storage and 5G, we predict the growth rate of China's PCB market will reach RMB 309.663 billion in 2023 and will contribute to the demand for our selective soldering machines.

In conclusion, the Group will focus on independent innovation, equipment upgrades, and market development to increase the quality and performance of the Company and bring in money for Group investors while deepening its technological investigation of SMT and semiconductor equipment manufacturing related industry.

ENERGY STORAGE BUSINESS

At the end of 2021, the Group established Sino New Energy Utilization (Hengqin) Technology Co., Ltd. ("Sino New Energy") to carry out energy storage business. The first phase of the Herong Power Station developed, invested in, built, and operated by Sino New Energy was finished in Datong City, Shanxi Province in March of this year, and unified dispatching control of the provincial power grid in May. Herong Power Station has a planned capacity of 500 MW/1,000 MWh, it will engage in the electricity spot market as an independent market entity and is the first grid-side new energy storage power station in the country that completely conducts spot transactions and provides auxiliary services. This segment's business has not yet generated income as of 30 June 2023, but it is projected to be progressively placed into commercial operation beginning in the second half of the year and continue to bring positive economic and social advantages. At the same time, Sino New Energy has reserved multiple projects in more than ten provinces such as Guizhou and Henan, adopting the parallel development strategy of two business models, independent construction and cooperative development, to quickly deploy and steadily advance its business.

ENERGY STORAGE BUSINESS (CONTINUED)

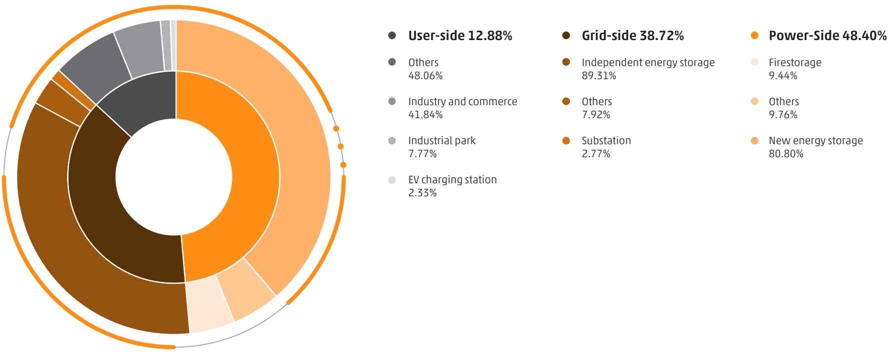
In recent years, as China has adopted coping with climate change as a national strategy and actively promoted "carbon peaking and carbon neutrality", its installed capacity for new energy power generation has continued to grow rapidly. According to the National Energy Administration, China's newly installed renewable energy power generation capacity was 109 million kW between January and June, accounting for 77% of the country's total newly installed capacity. China's renewable energy power generating capacity has surpassed 1.3 billion kW, representing an 18.2% growth year on year and accounting for around 48.8% of the country's total installed capacity. Renewable energy is further constituted as the primary body of China's newly installed power production capacity, as well as its significant role in assuring energy supply and supporting clean and low-carbon transformation. However, it is challenging for new energy power generation to meet electricity demand on time. As the proportion of new energy power such as wind power and photovoltaics grows, it poses serious challenges to the safe and stable operation of power systems, highlighting the need to increase the scale of energy storage and build new power systems.

Driven by policy and market, the scale of energy storage power stations has increased rapidly, and the market has continued to grow. Since last year, China's energy storage sector has advanced from research and development to commercialisation, making advances in technology, projects, and business model exploration, and the business model of energy storage power stations has been clarified and determined further. The National Development and Reform Commission published the "14th Five-Year Renewable Energy Development Plan" in June 2022, clarifying energy storage's independent market player status, and enhancing the trading mechanism and profit-making methods for market participants. At the end of 2022, the National Energy Administration issued the "Basic Rules for the Electricity Spot Market (Draft for Comments)" and "Measures for the Supervision of the Electricity Spot Market (Draft for Comments)", accelerating the process of implementing the spot power market. In February 2023, the National Energy Administration announced the annual development of the national power market in 2022. Last year, the national power market traded 5.25 trillion kWh, an increase of 39% year on year, accounting for 60.8% of total society electricity consumption, up 15.4 percentage point year on year. The volume of transactions and the number of entities in China's power market reached new highs.

ENERGY STORAGE BUSINESS (CONTINUED)

On the other hand, the mandatory energy storage policy requires that the newly installed capacity of new energy must be allocated with energy storage in proportion, and new energy leased energy storage capacity from independent energy storage power plants can be considered energy storage quotas. The rapid growth of new energy installed capacity has promoted the development of independent energy storage, which has become the main driving force for installed capacity in various provinces. Under the current situation of different regional storage allocation ratio standards, we believe that capacity leasing will become a widely accepted method of flexible storage allocation. According to statistics, in 2022, the total bidding capacity of China's energy storage market exceeded 44 GWh, and a total of 20.93 GWh of independent energy storage projects completed bidding, the market has great potential for development. Meanwhile, the proportion of new energy storage installed capacity in China has increased significantly. According to CNESA, China's cumulative installed capacity of operational new energy storage has reached 13.1GW/27.1GWh, making it the market with the highest share of new energy storage projects (36%).

Distribution of Installed Application Scenarios for Electrochemical Energy Storage Projects (Proportion in Aggregate by the end of 2022)

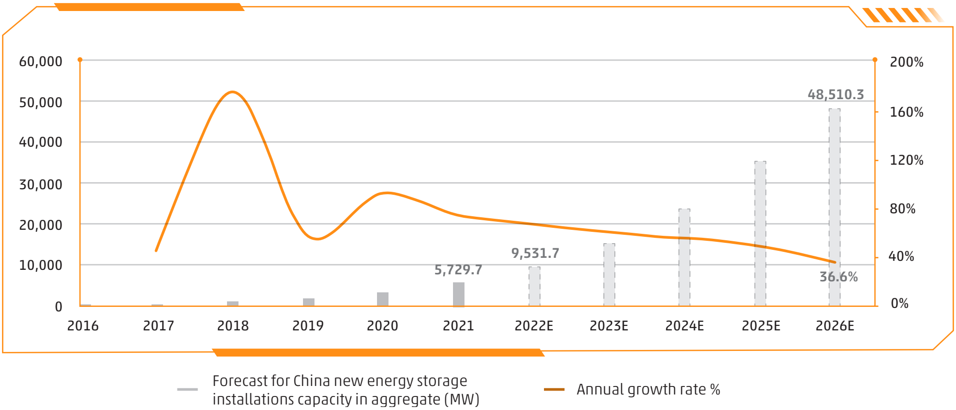


Source: CNESA Project Database

ENERGY STORAGE BUSINESS (CONTINUED)

Conservative view

It is expected that the cumulative scale of new energy storage will reach 48.5GW in 2026, with the compound annual growth rate (CAGR) from 2022-2026 amounts to 53.3%. The market will show a trend of stable, fast growt



Source: CNESA Project Database

Furthermore, as battery prices fall, so will the cost of energy storage systems, effectively stimulating the willingness to invest in the energy storage market. We believe that by improving supporting policies and technical standards, a good and fair operating environment for the energy storage industry and market will be created, increasing the demand for energy storage.

The Group's independent energy storage power station participates in the local electricity spot market and provides power auxiliary services for the power grid, as well as capacity leasing services for regional new energy power generation. The scale advantage of shared energy storage lowers power station costs, and its flexible operation modes can quickly open up the market. We anticipate a large energy storage industry market that will benefit the Group's long-term development, promote the Group's integration into China's low-carbon development process to achieve the goals of carbon peaking in 2030 and carbon neutrality in 2060, and empower green, low-carbon, and high-quality development, owing to the price advantage compared to international price fluctuations, as well as high demand from industry heat.

RADAR BUSINESS

In 2022, the Company established SD Technologies (Haining) Co., Ltd. and SD Technologies (Guangdong) Co., Ltd.* ("SD Technologies"), focusing on low-altitude economic fields to engage in hardware manufacturing, software development and application of advanced domestic radars, system integration, with the Guangdong-Hong Kong-Macao Greater Bay Area as a strategic base, providing domestic and international customers with professional, scientific, efficient and customised one-stop bird detection and repellent solutions. In February, the Zhuhai site was officially put into use; in May, the self-developed Nemesis-Shield Radar S8 series was unveiled at the 3rd Civil Aviation Technology, Equipment & Service Exposition. As of 30 June 2023, the business revenue of this segment was approximately HK$297,000.

During this Period, SD Technologies has primarily completed the independent research and development of the Nemesis-Shield Radar S8 series and 90% of the products have entered the testing stage. The Nemesis-Shield Radar S9 series has also entered the internal beta stage. Up to now, SD Technologies' products include the Nemesis- Shield radars, the Gillnet software system, the UAV Monitoring and Countermeasure System, the Birdstrike Avoidance Radar Software System, Titron-S1, Polaris-XI and Acoustic Device (Huteron) all of which can be used in commercial airports, wind power stations, substations, low-altitude monitoring, security monitoring, natural resources, offshore oil exploration, and many other fields.

Last year, the Civil Aviation Administration of China issued a policy emphasising transport airport headroom protection, and transport airports held civil aviation and aviation safety work conferences to carry out a three-year special rectification on bird strike prevention. Bird strikes and black flight of UAVs are currently two major hidden threats to flight take-off and landing safety. Birds and UAVs are both small flying objects with low speed and altitude, and effective monitoring and identification of them become the focus of ensuring the safety of air routes. Their low flying altitudes and small radar reflection areas contribute to urban environment clutter interference, making radar detection more difficult. SD Technologies prioritises research and development, strives to improve its radar recognition capabilities, and focuses on customer pain points to optimise products and technologies to consistently promote the company strategy's implementation. It will continue to improve product performance, stabilize and expand the customer base, explore collaboration opportunities, and actively promote the modernization of harmonious coexistence between nature and humans, contributing to the construction of smart cities and the realisation of a win-win situation of economic development and environmental protection in the future.

* *For identification purposes only*

FINANCIAL REVIEW

Revenue

During the Period, an analysis of the revenue by business segments is as follows:

	Six months ended 30 June 2023 *HK$'000* **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
SMT equipment manufacturing and related business	**114,488**	142,165
Sales, research and development of bird detection radar equipment and customised integrated solutions for bird detection and dispersal	**297**	–
Comprehensive services	**2,254**	1,584
	117,039	143,749

Other income

During the Period, the Group recorded other income of approximately HK$3,815,000, which were mainly attributable to government grants.

Distribution costs

During the Period, the Group recorded distribution costs of approximately HK$20,479,000, representing a decrease of approximately HK$5,199,000 as compared with the six months ended 30 June 2022.

Administrative expenses

During the Period, the Group recorded administrative expenses of approximately HK$66,164,000, representing an increase of approximately HK$27,169,000 as compared with the six months ended 30 June 2022 mainly from continuous investment in Energy Storage Business and Radar Business.

Finance costs, net

During the Period, net finance costs were approximately HK$12,656,000, representing an increase of approximately HK$12,161,000 as compared with the six months ended 30 June 2022, mainly attributable to an increase in interest costs.

FINANCIAL REVIEW (CONTINUED)

Loss for the Period

As a result of the foregoing, the loss for the Period attributable to owners of the Company was approximately HK$27,959,000.

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

The following table presents the Group's EBITDA for each period. During the Period, the Group's EBITDA ratio was approximately -8.36%.

	Six months ended 30 June 2023 ***HK$'000*** **(Unaudited)**	Six months ended 30 June 2022 *HK$'000* (Unaudited)
Loss for the Period attributable to owners of the Company	**(27,959)**	(1,862)
Finance costs, net	**12,656**	495
Income tax expenses	**526**	63
Depreciation and amortisation	**4,996**	3,181
EBITDA	**(9,781)**	1,877

Gearing ratio

With reference to borrowing over equity attributable to the owners of the Company as at 30 June 2023, the gearing ratio of the Group was 47.86%.

Operating capital management

As at 30 June 2023, the Group held cash and cash equivalents of approximately HK$176,463,000. This represents a decrease of approximately HK$96,983,000 as compared with approximately HK$273,446,000 at the beginning of the period. During the Period, the Group's average inventory turnover days were approximately 207 days (31 December 2022: 185 days); average trade receivable turnover days were approximately 232 days (31 December 2022: 152 days); and average trade payables turnover days were approximately 174 days (31 December 2022:197 days).

FINANCIAL REVIEW (CONTINUED)

Charges on the Group's assets

As at 30 June 2023, the Group's banking facilities including its import/export loan, letter of credit, documentary credit, 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 end of the reporting period of approximately HK$71,201,000.

Equity and liabilities

As at 30 June 2023, the net assets of the Group were approximately HK$306,287,000 (31 December 2022: HK$353,517,000), and the equity decreased by HK$47,230,000 during the Period.

HUMAN RESOURCES

As at 30 June 2023, the Group employed approximately 342 full-time employees and workers in Mainland China, and employed approximately 23 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

OPERATIONAL RISK

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

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

FINANCIAL RISK

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

CREDIT RISK

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

LIQUIDITY RISK

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

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollars and United States dollars. During the 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.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2023, none of the directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), that was required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors 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 2023, 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 2023.

* *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, 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 six months ended 30 June 2023.

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 nonexecutive directors of the Company. The Group's interim results for the six months ended 30 June 2023 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 OR THE COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

DIVIDENDS

The Board did not recommend an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 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 throughout the six months ended 30 June 2023.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

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

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2023 and the six months ended 30 June 2022 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.