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芯成科技
- SINO ICT -

SINO ICT HOLDINGS LIMITED

芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00365)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Sino ICT Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended	Year ended
	<i>Notes</i>	31 December 2019	31 December 2018
		HK\$'000	HK\$'000
Revenue	4	201,163	71,453
Cost of sales		(116,839)	(128,025)
Gross Profit/loss		84,324	(56,572)
Other income	5	14,401	6,133
Other (loss)/gain, net	6	(1,126)	7,775
Distribution costs		(35,534)	(37,380)
Administrative costs		(61,813)	(66,701)
Reversal of impairment of receivables		4,516	14,157
Operating profit/(loss)		4,768	(132,588)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	<i>Notes</i>	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Finance income	7	236	851
Finance costs	7	<u>(17,720)</u>	<u>(13,301)</u>
Finance costs, net	7	<u>(17,484)</u>	<u>(12,450)</u>
Share of results of associates		<u>3,211</u>	<u>187</u>
Loss before income tax		(9,505)	(144,851)
Income tax (expense)/credit	8	(4,068)	20,822
Earnings from disposal of a subsidiary		<u>—</u>	<u>1,110</u>
Loss for the year attributable to equity holders of the Company		<u>(13,573)</u>	<u>(122,919)</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Surplus on revaluation of properties		362	1,448
Deferred tax relating to revaluation surplus		<u>82</u>	<u>23</u>
		444	1,471
<i>Item that may be classified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(226)</u>	<u>(13,009)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>218</u>	<u>(11,538)</u>
Total comprehensive loss for the year		<u><u>(13,355)</u></u>	<u><u>(134,457)</u></u>
Total comprehensive loss attributable to:			
Equity holders of the Company		<u>(13,355)</u>	<u>(134,457)</u>
Basic losses per share	9(a)	<u>(0.93) Cents</u>	<u>(8.45) Cents</u>
Diluted losses per share	9(b)	<u>(0.93) Cents</u>	<u>(8.45) Cents</u>

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		105,762	139,115
Investment property		25,049	—
Right-of-use assets		36,087	—
Land use rights		—	9,251
Intangible assets		14,134	5,868
Deferred income tax assets		11,947	13,534
Other non-current assets		—	2,410
Investment in associates		238,067	234,856
		431,046	405,034
Current assets			
Inventories		27,786	36,385
Trade receivables and other receivables	<i>10</i>	53,242	41,580
Tax reserve certificates		16,645	5,325
Financial assets at fair value through profit or loss		157,573	137,339
Security and restricted deposits		1,571	2,279
Cash and cash equivalents		43,408	43,305
		300,225	266,213
TOTAL ASSETS		731,271	671,247
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		240,740	240,740
Other reserves		674,358	674,140
Accumulated losses		(600,329)	(586,756)
TOTAL EQUITY		314,769	328,124

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at	As at
	<i>Notes</i>	31 December 2019	31 December 2018
		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Convertible bonds	<i>13</i>	129,978	118,463
Lease liabilities		18,057	—
Deferred income		1,249	4,565
Deferred income tax liabilities		12,901	14,410
		<hr/> 162,185	<hr/> 137,438
Current liabilities			
Trade payables and other payables	<i>11</i>	82,870	74,333
Lease liabilities		9,349	—
Contract liabilities	<i>11</i>	7,901	12,092
Borrowings	<i>12</i>	100,958	68,478
Current income tax liabilities		53,239	50,782
		<hr/> 254,317	<hr/> 205,685
TOTAL LIABILITIES		<hr/> 416,502	<hr/> 343,123
TOTAL EQUITY AND LIABILITIES		<hr/> 731,271	<hr/> 671,247

Notes:

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the “Company”), which was formerly known as Unisplendour Technology (Holdings) Limited, is a limited liability company incorporated in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is changed to Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 31 October 2016. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively the “Group” hereafter) are principally engaged in SMT equipment manufacturing and securities investment.

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

The consolidated financial statements are presented in Hong Kong dollar (unless otherwise stated). These consolidated financial statements were approved for issue by the Board of the Company on 31 March 2020.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The Group continues to adopt the going concern basis in preparing its consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) The new and revised standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the year commencing from 1 January 2019:

- HKFRS 16 - Leases
- Amendments to HKAS 28 - Long-term Interests in Associates and Joint Ventures
- Annual Improvements to HKFRS 2015-2017 Cycle
- Amendments to HKAS 19 - Plan Amendment, Curtailment or Settlement
- HK(IFRIC) Int 23 – Uncertainty over Income Tax Treatments

The adoption of these amendments did not have any significant impact on the amounts recognised in prior periods.

(b) New standards and interpretations that have not yet been adopted

The following are new accounting standards, amendments to and interpretations of existing standards that are relevant to the Group but were not effective in the financial year commencing from 1 January 2019 and have not been early adopted by the Group:

	Effective for the financial year beginning on or after
Amendments to HKAS 1 and HKAS 8 – Definition of “Material”	1 January 2020
Amendments to HKFRS 3 – Definition of “A Business”	1 January 2020
Amendments to Conceptual Framework for Financial Reporting	1 January 2020

The above new standards and amendments to standards are effective for the financial year beginning after 1 January 2020 and have not been applied in the consolidated financial statements. None of these standards and amendments is expected to have a significant effect on the consolidated financial statements of the Group.

4. SEGMENT INFORMATION

The executive Directors are the Group's chief decision-makers. The management has determined the operating segments based on the report reviewed by the executive Directors for the purpose of allocating resources and assessing performance.

For the year ended 31 December 2019, the Group's two operating segments are as follows:

- (1) Production and sales of industrial products; and
- (2) Securities investment.

The executive Directors assess the performance of the operating segments based on the revenue and profit before tax in each segment, and they do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments. Its assets are mainly the monetary funds used by the Company for daily operations, office equipment and investment in joint ventures, and its liabilities are mainly financial liabilities as a result of the issuance of the convertible bonds by the Company.

For the year ended 31 December 2018, the Group divested the finance lease and factoring business on the basis of the production and sales of industrial products, securities investment, and finance lease and factoring, which were the original main businesses. The corresponding business had been classified as terminated operation.

4. SEGMENT INFORMATION (CONTINUED)

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

	Year ended 31 December 2019					
	Production			Continuing		Total
	and sales of			operation	Terminated	
	industrial products	Securities investment	Unallocated activities	segment total	operation segment	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment revenue	180,170	20,234	759	201,163	—	201,163
Segment profit	63,408	20,157	759	84,324	—	84,324
Other income	13,017	1,384	—	14,401	—	14,401
Other loss, net	(995)	—	(131)	(1,126)	—	(1,126)
Distribution costs	(35,534)	—	—	(35,534)	—	(35,534)
Administrative costs	(40,844)	(11,913)	(9,056)	(61,813)	—	(61,813)
Reversal of impairment of receivables	4,516	—	—	4,516	—	4,516
Finance costs, net	(5,931)	(10)	(11,543)	(17,484)	—	(17,484)
Share of results of associates	—	—	3,211	3,211	—	3,211
(Loss)/profit before income tax	(2,363)	9,618	(16,760)	(9,505)	—	(9,505)

	As at 31 December 2019					
	Production			Continuing		Total
	and sales of			operation	Terminated	
	industrial products	Securities investment	Unallocated activities	segment total	operation segment	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment total assets	276,988	170,526	283,757	731,271	—	731,271

4. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2019 and for the year ended 31 December 2018, the revenue of the Group was mainly arising from Mainland China and Hong Kong.

Revenue of approximately HK\$8,282,000 (for the year ended 31 December 2018: HK\$6,016,000) was derived from a single external customer. Such revenue was derived from the production and sales of industrial products segment.

As at 31 December 2019 and 31 December 2018, except for the financial instruments, the Group's non-current assets were located in Mainland China and Hong Kong.

5. OTHER INCOME

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Income from sales of scraps	85	2,525
Cash dividends	1,384	1,343
Rental income	5,917	—
Government grants	6,925	2,265
Others	90	—
	<u>14,401</u>	<u>6,133</u>

6. OTHER (LOSS)/GAIN, NET

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Exchange (loss)/gain	(1,100)	1,546
Compensation income	221	2,224
Waiver of accounts payables	1,226	3,969
Net loss from change in fair value of investment property	(1,304)	—
Others	(169)	36
	<u>(1,126)</u>	<u>7,775</u>

7. FINANCE COSTS, NET

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	(236)	(201)
– Finance income from terminated operation	—	(650)
	<u>(236)</u>	<u>(851)</u>
Finance costs:		
– Interest expenses on bank and other borrowings	6,002	2,807
– Amortisation of interest expense on convertible bonds	11,515	10,494
– Finance costs related to finance lease	203	—
	<u>17,720</u>	<u>13,301</u>
Finance costs, net	<u><u>17,484</u></u>	<u><u>12,450</u></u>

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax had been provided at the rate of 16.5% (year ended 31 December 2018: 16.5%) on the estimated assessable profit for the year. The applicable tax rate of 紫光日東科技(深圳)有限公司, a subsidiary of the Group in Mainland China, was 15%, and other subsidiaries of the Group in Mainland China were taxed at a rate of 25% (year ended 31 December 2018: 25%). Taxation on overseas profits had been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Current income tax	3,578	—
Deferred income tax	490	(20,822)
Income tax expense/(credit)	<u><u>4,068</u></u>	<u><u>(20,822)</u></u>

8. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Loss before income tax	<u>(9,505)</u>	<u>(143,422)</u>
Tax at the statutory tax rates	2,561	(20,550)
Tax effects of:		
– Income not subject to tax	(231)	(222)
– Expenses not deductible for tax purposes	1,571	746
– Utilisation of previously unrecognised tax losses	(2,931)	(4,370)
– Tax loss for unrecognised deferred income tax asset	2,659	3,574
– Differences on settlement and payment of previous annual income tax	<u>439</u>	<u>—</u>
Income tax expense/(credit)	<u><u>4,068</u></u>	<u><u>(20,822)</u></u>

9. LOSSES PER SHARE

(a) Basic

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

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Losses attributable to equity holders of the Company	(13,573)	(122,919)
Weighted average number of ordinary shares in issue <i>(in thousands)</i>	<u>1,455,000</u>	<u>1,455,000</u>
Basic losses per share	<u><u>(0.93) Cents</u></u>	<u><u>(8.45) Cents</u></u>

9. LOSSES PER SHARE (CONTINUED)

(b) Diluted

Diluted losses per share are calculated based on the weighted average number of ordinary shares in issue, assuming that all diluted potential ordinary shares are converted into ordinary shares.

In 2019 and 2018, as the assumption of converting the Company's outstanding convertible bonds will result in a decrease in losses per share, it is not assumed that the Company's outstanding convertible bonds have been exercised in the calculation of the diluted losses per share for the year ended 2019 and 2018.

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Non-current portion		
Other non-current assets – prepaid renovation expense	—	2,410
Current portion		
Trade and bills receivables	57,887	54,459
Less: Provision for impairment of trade and bills receivables	(13,397)	(20,500)
Trade and bills receivables, net	44,490	33,959
Prepayments	2,798	1,794
Other receivables	5,954	5,827
	<u>53,242</u>	<u>41,580</u>

10. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Parts of the Group's sales are on acceptance bills or documents against payment. The remaining amounts are with credit terms of thirty to ninety days. As at 31 December 2019 and 31 December 2018, the aging analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
3 months or less	23,732	16,750
3 to 6 months	12,691	9,815
More than 6 months	21,464	27,894
	<u>57,887</u>	<u>54,459</u>

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
At the beginning of the year	20,500	37,394
Written-off	(2,263)	(1,728)
Reversal of impairment charges	(4,516)	(14,157)
Exchange adjustments	(324)	(1,009)
At the end of the year	<u>13,397</u>	<u>20,500</u>

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

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

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

11. TRADE PAYABLES, OTHER PAYABLES, AND CONTRACT LIABILITIES

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Trade payables	32,421	32,016
Bills payables	3,747	1,288
Employee salaries payables	23,737	21,473
Other taxes payables	16,128	14,351
Contract liabilities	7,901	12,092
Other payables	1,937	1,539
Accrued expenses	4,734	3,666
Interest payables	166	—
	<u>90,771</u>	<u>86,425</u>

As at 31 December 2019 and 31 December 2018, the aging analysis of trade and bills payables based on the invoice date was as follows:

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within 90 days	29,295	24,732
91 to 120 days	327	1,568
Over 120 days	6,546	7,004
	<u>36,168</u>	<u>33,304</u>

11. TRADE PAYABLES, OTHER PAYABLES, AND CONTRACT LIABILITIES (CONTINUED)

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Renminbi	38,011	34,810
Hong Kong dollar	94	33
	<u>38,105</u>	<u>34,843</u>

12. BORROWINGS

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Current		
Secured bank borrowings due for repayment		
within one year (a)	89,200	68,478
Short-term credit borrowings due for repayment		
within one year (b)	11,758	—
	<u>100,958</u>	<u>68,478</u>

- (a) The bank borrowings are secured by the properties of the Group with net value of HK\$81,171,000, and corporate guarantees are provided by its subsidiaries.

As at 31 December 2019, the average annual borrowing interest rate was 6.28% (31 December 2018: 5.66%).

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

- (b) On 13 December 2019, Sino Xin Yuan Limited provided the Group with short-term credit borrowings of US\$1,500,000 (equivalent to approximately HK\$11,758,000). Sino Xin Yuan Limited is an indirectly owned subsidiary of Sino IC Leasing Co., Ltd.. For the year ended 31 December 2019, the interest expenses were HK\$23,000.

12. BORROWINGS (CONTINUED)

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Renminbi	89,200	68,478
US dollar	11,758	—
	<u>100,958</u>	<u>68,478</u>

13. CONVERTIBLE BONDS

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

On 30 May 2017, the special general meeting approved the supplementary agreement for the convertible bonds signed by the Company and Unis Strategy Investment Company. The supplementary agreement removes the relevant terms in relation to the conversion price adjustment under the original agreement. Accordingly, the convertible bonds issued by the Company pursuant to the original agreement were derecognised. According to the supplementary agreement, the convertible bonds were recognised as compound financial instruments. As at 30 March 2017, such financial liability at fair value through profit or loss of HK\$678,487,000 was derecognised. Pursuant to the amended terms and the fair value at the date, the Company has recognised the convertible bonds as compound financial instruments, among which the fair value of the liability component was HK\$100,546,000, the fair value of the equity component was HK\$577,941,000, and the liability component of the compound financial instrument were subsequently measured by the amortised cost method. In 2018, the recognised interest expense of convertible bonds were HK\$10,494,000. The recognised interest expense of convertible bonds for the year were HK\$11,515,000.

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

14. COMMITMENTS

Operating lease commitment – the Group as lessee

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

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within one year	<u>220</u>	<u>8,260</u>

As at 31 December 2019 and 31 December 2018, the Group had no non-cancellable contracted capital commitments.

Operating lease commitment – the Group as lessor

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

	As at 31 December 2019 <i>HK\$'000</i>	As at 31 December 2018 <i>HK\$'000</i>
Within one year	4,862	—
More than one year but not more than five years	<u>13,775</u>	—
	<u>18,637</u>	—

15. RELATED PARTY TRANSACTIONS

Key management remuneration

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

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Salaries and other short-term employee benefits	6,810	5,076
Post-employment benefits	—	27
	<u>6,810</u>	<u>5,103</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Group was mainly engaged in SMT equipment manufacturing and related business, and securities investment business.

During the year, the Group continued to work conscientiously in the field of SMT equipment manufacturing and worked hard to cultivate its brand value and brand culture. Meanwhile, because of the changes of the global economic environment, the management was cautious in managing securities investment business, for the purpose of achieving the goal of maximising shareholders' interest. Comparing with the previous year, the Group recorded a significantly lower consolidated net loss in the amount of approximately HK\$13,355,000 for the year, representing a year-on-year decrease of 90.07%. The decrease in loss was mainly attributable to the stable operation in the SMT equipment manufacturing segment, as well as the marked improvement in the performance of the securities investment segment.

SMT Equipment Manufacturing and Related Business

SMT (Surfaced Mounting Technology) is an electronic assembly technology which uses welding devices to solder surface mount components to the surface of a printed circuit board (PCB) to achieve electrical connection. It is mainly used in the field of micro-device manufacturing with high density and high integration characteristics, such as computers, mobile communications and consumer electronic equipment. The Group is one of the first leading enterprises to enter the SMT equipment manufacturing industry in Mainland China. It focuses on the design and development of its own-brand and has accumulated technological advantages and significant brand influence.

Looking back to 2019, the overall growth of the SMT industry slowed down as a result of the decreasing demand of downstream electronics industries involving mobile phones and automotive electronics, and multiple adverse factors affecting the industry, such as macroeconomic shocks. Given that market conditions are not as expected, the management effectively controlled the operating costs from the perspective of stable operation while continued to broaden the product market, taking promoting the long-term and healthy development of the Group as its primary goal. As of 31 December 2019, the SMT equipment manufacturing segment recorded sales revenue of approximately HK\$180,170,000, which was a slight decrease of 0.73% compared to approximately HK\$181,497,000 in the same period last year. As for the comprehensive gross profit margin of the segment, it was 35%, representing an increase of 5% from 30% in the same period last year. It was a year-on-year increase for the second consecutive year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business (Continued)

In terms of operation management and control, the Group continued to focus on strictly implementing credit management policies, improving its ability of cost control, and strengthening its effective management of financial and human resources. In the current year, the distribution costs of the segment decreased by 4.94% compared with the previous year, while the average debtors turnover days and the average creditors turnover days also decreased compared with the same period of the previous year, reflecting the continuous strengthening of the management and control capabilities. The management also worked on inventory management to actively utilise the working capital. As at 31 December 2019, the Group's inventory amounted to approximately HK\$27,786,000, which was a significant decrease of 23.63% compared to approximately HK\$36,385,000 of the previous year, and the average inventory turnover days were reduced by 6 days year-on-year.

As an integrated service provider of SMT and semiconductor intelligent equipment, the management knows well that the strong self-developed equipment is the fundamental driver of a corporate's long-term development. Since 2018, the Group has focused on the design, research and development, production and sales of its own-brand equipment, and has continuously introduced new intelligent equipment that meets market needs. The Group has won industry-wide awareness and reputation. In response to the new trends and new requirements of the electronics manufacturing industry, the Group launched a number of new equipment during the year, including OLED linear motor modules for the OLED industry, new wave soldering machine and reflow soldering machine (oven) developed in response to manufacturers' flexibility requirements, and selective wave soldering machine with camera functions and high-speed dispensers. All these newly introduced equipment further expanded the product line of the own-brand equipment. Throughout 2019, the Group added one invention patent, five utility patents, and three authorised appearance patents. The total number of patents held by the Group was about seventy, and such patents contributed to the Group's independent innovation.

Improving equipment awareness and consolidating the dominant position in the industry are important for building the brand value. In 2019, the Group continued to adhere to the "Go Out" strategy and actively participated in large-scale domestic and foreign exhibitions, including the 29th International Electronics Manufacturing and Microelectronics Industry Exhibition (NEPCON2019) in Shanghai, the Asian Electronics Production Equipment and Microelectronics Industry Expo in Shenzhen, the South China International Industrial Automation Expo and the Shenzhen Electronic Equipment Expo, as well as the Munich Electronic Production Equipment Exhibition in Germany. Such participation in these expos has effectively promoted the Group's equipment and facilitated exchanges within the industry. Meanwhile, the Company's subsidiaries were awarded numerous titles such as "SMT Segmentation Leading Enterprise in Shenzhen's Equipment Industry", "5G Industry and Technology Association Member", "Demonstration Enterprise of the 5G Communication Manufacturing Industry Community". Such titles show that we have deepened our influence in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SMT Equipment Manufacturing and Related Business (Continued)

In 2019, affected by the atmosphere of global trade, varying degrees of adjustments were seen in the upstream and downstream of the industry. This was mainly reflected in increased industry concentration, the increasing demand for independent research and development capabilities, and the migration of some downstream manufacturers' production lines to Southeast Asia. All of the above have brought new market breakthroughs for medium and large SMT equipment manufacturers. However, in early 2020, the global economy is overshadowed by an uncertainty due to the epidemic, and the cross-border trading environment has not shown a fundamental improvement, posing challenges to business operations. However, looking at the entire electronic equipment manufacturing market, we can still see vigorous growth momentum. It includes the industry-wide equipment replacement requirements brought by 5G construction, the development of the automotive electronics industry driven by new energy vehicles, and consumption demand contributed from increasingly intelligent and miniaturised wearable devices. The management believes that short-term unfavorable factors will not undermine the foundation for the long-term development of the industry, and the Group should be adequately prepared for a market rebound in the future. Therefore, while the Group will be steadfast in developing its own-brand SMT equipment, it intends to gradually extend its business scope to semiconductor equipment manufacturing, making the Group a leading integrated semiconductor intelligent equipment service platform.

Securities Investment Business

The Group currently manages its securities business with a low-frequency trading strategy. The main investments of this business segment are in high-tech companies listed on the Stock Exchange, focusing on high-quality companies in the industries of communications equipment, semiconductor, Internet, computer and software, as such companies can bring synergy effects for the Group's core business. For the year ended 31 December 2019, the securities investment segment recorded a gain of approximately HK\$20,234,000, representing a remarkable turnaround from the loss of HK\$112,682,000 for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Securities Investment Business (Continued)

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

Name of investee	Total investment gain/(loss) for the year ended 31 December 2019 HK\$'000
SMIC (stock code: 981.hk)	32,963
GOME FIN TECH (stock code: 628.hk)	33
GUODIAN TECH (stock code: 1296.hk)	(44)
LEGEND HOLDINGS (stock code: 3396.hk)	(12,718)
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	20,234
	<hr/> <hr/>

During the year, the Group did not dispose any of the afore-said shares.

The Group's investments in above-mentioned securities were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which amounted to approximately HK\$157,573,000 as at 31 December 2019.

Name of investee	Financial assets at fair value through profit or loss as at 31 December 2019 HK\$'000	Percentage of total financial assets at fair value through profit or loss %
SMIC	77,323	49.07
GOME FIN TECH	272	0.17
GUODIAN TECH	241	0.15
LEGEND HOLDINGS	79,737	50.61
	<hr/>	
	157,573	100
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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Income

In 2019, the Group recorded a total income of approximately HK\$201,163,000. An analysis of the income by business segments is as follows:

	Year ended 31 December 2019 (Audited) <i>HK\$'000</i>	Year ended 31 December 2018 (Audited) <i>HK\$'000</i>
SMT equipment manufacturing and related business	180,170	181,497
Terminated operation	—	23
Securities investment	20,234	(112,682)
Unallocated activities	759	2,615
Total	<u>201,163</u>	<u>71,453</u>

Other gains

During the year, the Group recorded other gains of approximately HK\$14,401,000, representing an increase of approximately 134.81% compared to that of last year. The increase was mainly generated from newly added rental income of approximately HK\$5,917,000 and government grants of approximately HK\$6,925,000. Other gains also included revenue from sales of scraps of approximately HK\$85,000, cash dividends of approximately HK\$1,384,000, and other income of approximately HK\$90,000.

Distribution costs

During the year, the Group recorded distribution costs of approximately HK\$35,534,000, representing a decrease of approximately 4.94% compared to that of last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Administrative costs

During the year, the administrative costs amounted to approximately HK\$61,813,000, representing a decrease of approximately 7.33% compared to that of last year. The administrative costs were mainly consisted of labour costs of approximately HK\$23,000,000 and rental of approximately HK\$9,425,000.

Finance costs

During the year, the net finance costs amounted to approximately HK\$17,484,000, representing an increase of approximately HK\$5,034,000 compared to that of last year, mainly attributable to the amortisation of interest expense on bonds, and the interest expenses on borrowings.

Loss for the year

As a result of the foregoing, the loss attributable to the equity holders of the Company for the year was approximately HK\$13,573,000, representing a significant decrease of approximately 88.96% compared with the loss of approximately HK\$122,919,000 for year 2018.

Profit/(loss) before interest, tax, depreciation and amortisation

The following table illustrates the Group's profit/(loss) before interest, tax, depreciation and amortisation for the respective years. The Group's profit before interest, tax, depreciation and amortisation ratio was approximately 8.97% for the year.

	Year ended 31 December 2019 <i>HK\$'000</i>	Year ended 31 December 2018 <i>HK\$'000</i>
Loss for the year attributable to equity holders of the Company	(13,573)	(122,919)
Finance costs, net	17,484	12,450
Income tax expense/(credit)	4,068	(20,822)
Depreciation and amortisation	10,074	9,200
Profit/(Loss) before interest, tax, depreciation and amortisation	<u>18,053</u>	<u>(122,091)</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Liquidity, financial resources and gearing ratio

The Group has maintained sufficient operating capital. As at 31 December 2019, the net current assets of the Group amounted to approximately HK\$300,225,000, and the liquidity ratio of the Group was maintained at about 1.18, which was sufficient to support the ordinary operation of the Group. With reference to total borrowings over equity attributable to the equity holders of the Company as at 31 December 2019, the gearing ratio of the Group was 32.07%.

As of 31 December 2019, the borrowings balance of the Group was approximately HK\$100,958,000.

Operating capital management

As at 31 December 2019, the Group held cash and cash equivalents of approximately HK\$43,408,000, representing an increase of approximately HK\$103,000 compared with HK\$43,305,000 as at the beginning of the year. The Group's average inventory turnover days were approximately 100 days, representing a decrease of 6 days compared with that of last year (31 December 2018: 106 days), the average debtors turnover days were 57 days, representing a decrease of 13 days compared with that of last year (31 December 2018: 70 days), and the average creditors turnover days were approximately 104 days, representing a decrease of 10 days compared with that of last year (31 December 2018: 114 days).

Capital expenditure on property, plant and equipment

During the year, the total capital expenditure was approximately HK\$4,191,000, in which approximately HK\$123,000 was on the purchase of machinery and equipment, and approximately HK\$2,918,000 was on the renovation and decoration of office.

Charges on the Group's assets

As at 31 December 2019, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

(i) a first legal charge on certain of the Group's land and properties, which had an aggregate net carrying value at the balance sheet date of approximately HK\$81,171,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Equity and liabilities

As at 31 December 2019, the Group's net assets amounted to HK\$314,769,000. The decrease in net assets during the year as compared with the net assets of HK\$328,124,000 as at 31 December 2018 was mainly attributed to loss for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

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

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

Financial risk

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

Credit risk

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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

Price risk

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

PURCHASE, REDEEM OR SELL THE COMPANY'S LISTED SECURITIES

The Company or any of its subsidiaries had not purchased, redeemed or sold any of the Company's listed securities during the year.

DIVIDENDS

The Board did not recommend a final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HUMAN RESOURCES

As at 31 December 2019, the Group employed approximately 304 full-time employees and workers in Mainland China, and employed approximately 22 employees in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on the industry's practice. In Mainland China, the Group provides employee benefits and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including retirement scheme and performance related bonuses.

CORPORATE GOVERNANCE PRACTICES

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

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the year ended 31 December 2019, except for the following deviation.

Code Provision A.6.7

Pursuant to Code Provision A.6.7, generally independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders. The Company held the annual general meeting on 30 May 2019, however, the independent non-executive Directors Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan, and the non-executive Directors Mr. Li Zhongxiang (former director) and Mr. Qi Lian (former director) were absent from the meeting due to other business commitments. The afore-mentioned three independent non-executive Directors and non-executive Directors Mr. Li Jinxian and Mr. Li Yongjun were abstained from the special general meeting held on 25 November 2019 due to other business commitments. To ensure compliance with the Code in the future and to enhance the communication between the Directors and the shareholders, the Company had arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the meeting schedule in such a cautious way that all Directors can attend the general meetings.

Audit Committee

The Audit Committee of the Company has been established in accordance with the requirements of the Code for the purpose of reviewing and monitoring the internal control and financial reporting matters of the Group, including reviewing the annual results for the year ended 31 December 2019. The Audit Committee comprises one non-executive Director and two independent non-executive Directors of the Company, and is chaired by an independent non-executive Director.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, the Company’s securities have a sufficient public float as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sino-ict.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and available on the above websites in due course.

CAUTION STATEMENT

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

By order of the Board of
Sino ICT Holdings Limited
Du Yang
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the directors are Mr. Du Yang, Mr. Yuan I-Pei and Mr. Xia Yuan as executive directors; Mr. Li Jinxian and Mr. Li Yongjun as non-executive directors; and Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan as independent non-executive directors.