



SIM Technology

SIM Technology Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)

INTERIM REPORT 2022





CHAIRMAN'S STATEMENT



On behalf of the board ("Board") of the directors ("Directors") of SIM Technology Group Limited ("Company"), I am presenting the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022 ("1H-2022").

BUSINESS REVIEW

In the Spring of 2022, the raging COVID-19 mutant strain broke out in different places in mainland China, with Shanghai bearing the brunt of it. The entire city implemented the "static management". For more than two months, the city's residents stayed at home, people flow and logistics traffic were stopped, and so were all industrial and commercial activities. It takes one to be in Shanghai to fully understand how tough it was for more than 20 million people there to fight the battle against COVID-19. As the Group's headquarters, R&D centres and main production plants are all located in Shanghai, the impact on it was particularly severe. At the same time, the Group's R&D centres and factories in other regions were not spared either. They were either directly or indirectly affected by the pandemic and their businesses could not therefore be operated as usual. In 1H-2022, the Group realised revenue of HK\$278.3 million, which was 27.6% less than the same period last year. Gross profit was HK\$11.0 million, which was 82.3% less than the same period last year.

In the face of the long-term closed management, the Group responded quickly and tried every possible means, such as using online tools and various IT tactics to implement the "work-from-home + closed-loop production" model in order to save itself and minimise as much as possible the impacts of the "standstill" and "silence". However, our remedial measures were all in vain in the face of the difficulties brought by the one-size-fits-all closed management. Thus, the Group recorded an unprecedentedly severe loss in 1H-2022.



CHAIRMAN'S STATEMENT



Handsets and IOT terminals business

This business is the most predominant business segment of the Group. In 1H-2022, it realised revenue of HK\$233.5 million, which was 24.2% less than the same period last year. Gross loss amounted to HK\$1.4 million (1H-2021: gross profit of HK\$31.2 million). Most deliveries made by the Group to customers during the reporting period originated from orders not executed or completed in the previous year. Due to factors like the stagnation of the transportation system, the abnormal supply of materials, the inability to communicate with upstream and downstream partners face-to-face and low efficiency resulted from working from home, the R&D work of the Group's projects fell seriously behind. Production and deliveries of both new and the existing projects were also very much delayed. Projects with deliveries originally scheduled to be made in 1H-2022 were generally postponed to the second half of 2022. At the same time, in 1H-2022, the Group had to bear all its fixed costs as usual whilst its factories suspended their operations for a long period of time. As a result, the revenue and gross profit of the business segment declined, and the segment suffered serious loss. With Shanghai vigorously promoting the gradual resumption of work and production in June 2022, except for communication with domestic and overseas upstream and downstream partners, which is still restricted, the Group's R&D, production and delivery capabilities have basically restored. It is expected that the revenue and gross profit of the segment will improve in the second half of 2022 gradually. As for the speed and magnitude of the improvement, they will still largely depend on the development of the pandemic and the domestic and international economic environment trends.

To cope with the severe global economic environment, the management adjusted the Group's management structure in a timely manner, optimized human resources allocation in various departments, and improved management efficiency while reducing costs. In the second half of 2022, the Group will focus on assuring the production and deliveries of the existing smart terminals and smart wearable products, as well as accelerating the R&D and promotion of new products, such as the central control system of two-wheeled electric vehicles. The Group will strive to achieve revenue and gross profit growth in the second half of 2022.



CHAIRMAN'S STATEMENT



EMS business

In 1H-2022, the electronics manufacturing services business (EMS) recorded sales revenue of HK\$17.8 million, a 61.0% decrease when compared with the same period last year. Gross loss amounted to HK\$12.4 million (1H-2021: gross profit of HK\$1.5 million).

Due to the impact of the pandemic, the EMS factories were closed for a long period of time. In addition, orders from two major EMS business customers declined to varying degrees during the reporting period, the business segment's revenue reduced by more than half. Thus, the gross profit of the segment turned from a reasonable profit into a severe loss. Due to the cliff-like drop in customer orders, the Shenyang factory has begun to deploy for a change in its business model, cut redundant staff and production lines, and take the initiative to contact other customers in the field with the aim of exploring new cooperation opportunities. The factories in Shanghai and Tongcheng will continue to step up investment in digitalization and the use of smart technologies in their production process, reduce labor costs, improve production efficiency, secure new customers, and strive for the EMS business to return to profitability in the future.

Property management

In 1H-2022, the revenue of property management was mainly derived from the leasing of SIM Technology Building Block A and Block B in Shanghai, factory units in Shanghai and Shenyang, and commercial properties in Shenyang. A total area of approximately 89,000 square meters was leased out. To utilize our resources more effectively and develop the property management business, the Group will continue to lease some of the spare space at its factories and other buildings.

The revenue of properties management for 1H-2022 amounted to HK\$27.0 million (1H-2021: HK\$30.6 million) with a gross profit margin of 92.2% (1H-2021: 96.7%).



CHAIRMAN'S STATEMENT



Prospects

Although the Group incurred an unprecedented loss in 1H-2022, it still maintains an excellent R&D, marketing and management team, with many competitive products and technologies accumulated over many years. It also has a group of high-quality key customers and unexecuted contracts of considerable value. The management remains confident about the future of the Group. In the face of such severe situations, the Group is reviewing the safety bottom lines it has set for unexpected and irregular situations and improving its ability to predict and respond to major risks. The Group will act pragmatically, revise its development strategies and directions, further optimise its management structure and existing business layout, as well as accelerate the expansion of new businesses and overseas markets.

2022 is destined to be an extraordinary year full of uncertainties. In any case, the Group, together with its staff, will make concerted and all-out efforts to overcome difficulties and turn losses into profits as soon as possible.

Appreciation

The Board would like to thank our shareholders, customers, suppliers, bankers and professional advisers for their support of the Group and to extend our appreciation to all our staff for their dedication and contribution throughout the reporting period.

Yeung Man Ying

Chairman

Hong Kong, 31 August 2022



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For 1H-2022, the revenue of the Group was HK\$278.3 million (1H-2021: HK\$384.5 million), in which the revenue from handsets and IOT terminals business and EMS business (“Core Business”) decreased by 29.0% to HK\$251.3 million (1H-2021: HK\$353.9 million) as compared with that of 1H-2021. In 1H-2022, the revenue from property management (“Non-core Business”) decreased by 11.7% to HK\$27.0 million (1H-2021: HK\$30.6 million) as compared with that in 1H-2021.

The gross loss for 1H-2022 for the Core Business of the Group was HK\$13.8 million (1H-2021: gross profit HK\$32.7 million). The gross loss margin for the Core Business was 5.5% (1H-2021: gross profit margin 9.3%) and the gross profit margin for the Non-core Business decreased to 92.2% (1H-2021: 96.7%). The overall gross profit margin of the Group for 1H-2022 decreased to 4.0% (1H-2021: 16.2%).

The Group recorded a loss attributable to owners of the Company of HK\$324.9 million (1H-2021: HK\$60.5 million). The basic loss per share for 1H-2022 was HK14.7 cents (1H-2021: HK2.6 cents). Such increase in loss was mainly attributable to the following factors:

One of the reasons for the significant increase in loss was the mandatory restrictions imposed in parts of the PRC (especially Shanghai) to combat the coronavirus disease (COVID-19) pandemic since mid-March 2022, which had affected the Group’s deliveries. Given that the Group’s headquarter is situated in Shanghai, the effect was relatively substantial. Failure to reach the expected levels of turnover and average gross profit margin in 1H-2022, the increase in R&D expenses, selling and distribution costs and administrative expenses, and fluctuations in the exchange rate of RMB against US dollars (exchange loss of around HK\$30.3 million) caused the significant increase in loss.



MANAGEMENT DISCUSSION AND ANALYSIS



In 2021, the new management team formulated a very aggressive development plan that the Group's business had to grow rapidly in the next few years. To this end, the Group has increased investment in human resources, and has recruited many highly professional and experienced talents from the industry to enrich the management and various departments of the Group since 2021. At the same time, in order to adapt to the reality of the soaring cost of high-tech talents in mainland China, the Group increased the salary and bonuses of some existing employees to increase their sense of belonging and motivation to the Group, so that they can strive to create more profits for the Group. As a result, R&D expenses, selling and distribution costs and administrative expenses in 1H-2022 increased significantly as compared to 1H-2021. In order to cope with the severe situation of the global economy, the management of the Group has adjusted the management structure timely and optimized the allocation of human resources in various departments to reduce costs and improve management efficiency at the same time.

In addition, the Board concluded there was indication for impairment in long-term assets of the handsets and IOT terminal business and EMS business. Impairment loss on the relevant intangible assets, properties, plants and equipment and right-of-use assets relating to handsets and IOT terminals business of around HK\$76.9 million and certain receivables of around HK\$12.8 million were made in 1H-2022 after conducting impairment assessment on these assets. These also caused the significant increase in loss.

Segment results of core business

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Revenue HK\$'M	Gross loss HK\$'M	Gross loss	Revenue HK\$'M	Gross profit HK\$'M	Gross profit
			margin %			margin %
Handsets and IOT terminals business	233.5	(1.4)	(0.6)	308.3	31.2	10.1
EMS business	17.8	(12.4)	(69.5)	45.6	1.5	3.4
Total	251.3	(13.8)	(5.5)	353.9	32.7	9.3



MANAGEMENT DISCUSSION AND ANALYSIS

Handsets and IOT terminals business

Due to the “static management” of Shanghai which lasted for more than two weeks, the stagnation of the transportation system, the abnormal supply of materials, the inability to communicate with upstream and downstream partners face-to-face and low efficiency resulted from working from home, the R&D work of the Group's projects fell seriously behind. Production and deliveries of both new and the existing projects were also very much delayed. The revenue of this segment for 1H-2022 decreased by 24.2% to HK\$233.5 million (1H-2021: HK\$308.3 million) as compared to that of 1H-2021. The gross loss margin recorded for this segment was 0.6% in 1H-2022 (1H-2021: gross profit margin 10.1%). The revenue of ODM business accounted for approximately 89% of the revenue of this segment in 1H-2022 (1H-2021: 94%).

EMS business

Due to the impact of the pandemic, the EMS factories were closed for a long period of time. In addition, orders from two major EMS business customers declined to varying degrees during the reporting period, revenue of this segment decreased by 61.0% to HK\$17.8 million and recorded a gross loss margin of 69.5% at the same time (1H-2021: gross profit margin 3.4%).



MANAGEMENT DISCUSSION AND ANALYSIS



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2022, the Group had bank balances and cash of HK\$187.9 million (31 December 2021: HK\$322.3 million), of which 15.2% was held in US dollars, 81.6% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term deposits of HK\$301.9 million (31 December 2021: \$353.2 million) among which 71.3% was held in US dollars and 28.7% was held in Renminbi. As at 30 June 2022, the Group also had pledged bank deposits of HK\$38.3 million (31 December 2021: HK\$16.1 million) in Renminbi for the purpose of the Group's borrowings. The Group intends to finance its working capital and capital expenditure plans from such bank balances. The Group has pledged certain bank deposits to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$133.2 million as at 30 June 2022 (31 December 2021: HK\$41.9 million), of which 76.4% was denominated in Renminbi and 23.6% was denominated in US dollars. All of the bank borrowings were at floating interest rates and repayable within one year.

Operating efficiency

The respective turnover period of inventory, trade and notes receivables, trade and notes payables of the Group for the Core Business is presented below:

	30 June 2022 Days	31 December 2021 Days
Inventory turnover period	183	116
Trade and notes receivables turnover period	59	49
Trade and notes payables turnover period	212	128



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's deliveries were affected by the COVID-19 pandemic, the inventory turnover period for 1H-2022 increased as compared to that of year 2021.

As affected by the COVID-19 pandemic, the repayment schedules of certain accounts receivable in 1H-2022 were delayed as compared to that of year 2021. As a result, the trade and note receivable turnover period for 1H-2022 increased as compared to that of year 2021.

As affected by the COVID-19 pandemic, the repayment schedules of certain accounts payable in 1H-2022 were delayed as compared to that of year 2021. As a result, the trade and notes payables turnover period for 1H-2022 increased as compared to that of year 2021.

As at 30 June 2022, the current ratio, calculated as current assets over current liabilities, was 2.0 times (31 December 2021: 2.6 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group understands its ability to convert inventory into cash and its sales cash conversion cycle. Through reviewing the turnover periods, the Group can improve its operational efficiency. The current ratio can help the Group understands its ability to pay short-term and long-term obligations.

Treasury policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are mainly held under fixed and savings deposits in reputable banks to earn interest income.

Certain sales and purchases of inventories of the Group are denominated in US dollars. Furthermore, certain trade receivables, trade payables and bank balances are denominated in US dollars, thereby exposing the Group to the currency risk of US dollars. During 1H-2022, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to offset the foreign exchange risks dominated in US dollars when necessary.



MANAGEMENT DISCUSSION AND ANALYSIS



Capital structure

As at 30 June 2022, the Company had 2,238,547,300 ordinary shares of HK\$0.10 each in issue.

In 1H-2022, the Company issued 1,050,000 ordinary shares of HK\$0.10 each due to the exercise of share options by an employee of the Company.

Save as disclosed above, no shares of the Company were issued during 1H-2022.

GEARING RATIO

As at 30 June 2022, the total assets of the Group were HK\$2,215.3 million (31 December 2021: HK\$2,583.2 million) and the bank borrowings were HK\$133.2 million (31 December 2021: HK\$41.9 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 6.0% (31 December 2021: 1.6%).

Through reviewing its gearing ratio on a regular basis and based on its future capital planning needs, the Group strikes a balance between shareholder return and capital security. It also adjusts its capital structure in response to changes in the operational environment.

EMPLOYEES

As at 30 June 2022, the Group had approximately 1,169 (31 December 2021: 1,651) employees. The Group operates a Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group has a comprehensive training system in place that establishes a network-based career path for employees, including position and ability management, skills enhancement programme, various training opportunities, online learning programme for staff, internal promotion system, key employees development programme, succession plans for key positions and leadership development programme. The Group also offers discretionary bonuses and may grant share options under the share option scheme and share awards under the share award scheme of the Company to its employees by reference to individual performance and the performance of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the human resources department. The Group seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company are reviewed by the remuneration committee of the Board, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

The Company has adopted a share option scheme and a share award scheme to motivate the eligible persons referred to in the schemes, which include executive Directors and employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.

FUTURE PLANS FOR MATERIAL INVESTMENT

As stated in the announcement of the Company dated 26 January 2021, the Group entered into a framework agreement with the People's Government of Huangjiang Town, Dongguan, to signify the Group's intention to invest an aggregate amount of RMB2.0 billion to develop the Group's own technological industrial park in Huangjiang Town, Dongguan, thereby consolidating the Group's operations and maximizing its development potential. It is expected that the Group will invest RMB1.0 billion in fixed asset investment and the remaining RMB1.0 billion for operating cashflow.

Save as disclosed above, the Group did not have any future plans for material investment or capital assets during 1H-2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During 1H-2022, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.



MANAGEMENT DISCUSSION AND ANALYSIS



SIGNIFICANT INVESTMENT

As at 30 June 2022, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

There have been no significant events of the Group occurred since the end of 1H-2022.



INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Continuing operations			
Revenue	3	278,339	384,476
Cost of sales and services		(267,306)	(322,199)
Gross profit		11,033	62,277
Other income	5	20,717	20,751
Other gains and losses	5	(42,131)	(11,968)
Impairment losses on property, plant and equipment, right-of-use assets and intangible assets	11	(76,923)	-
Impairment losses under expected credit model, net of reversal	13	(12,822)	(4,000)
Research and development expenses		(123,042)	(77,158)
Selling and distribution costs		(18,941)	(13,211)
Administrative expenses		(64,916)	(48,154)
Share of results of associates		1,739	10,206
Finance costs		(2,056)	(2,258)
Loss before taxation		(307,342)	(63,515)
Taxation	6	(17,599)	3,841
Loss for the period from continuing operations	7	(324,941)	(59,674)
Discontinued operations			
Loss for the period from discontinued operations	21	-	(9,831)
Loss for the period		(324,941)	(69,505)



INTERIM FINANCIAL STATEMENTS



	NOTE	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(324,851)	(60,465)
– from discontinued operations		–	(9,245)
		(324,851)	(69,710)
(Loss) profit for the period attributable to non-controlling interests:			
– from continuing operations		(90)	791
– from discontinued operations		–	(586)
		(90)	205
Total (loss) profit for the period attributable to:			
Owners of the Company		(324,851)	(69,710)
Non-controlling interests		(90)	205
		(324,941)	(69,505)
Loss per share (HK cents)	9		
From continuing and discontinued operations			
Basic		(14.7)	(3.0)
Diluted		(14.7)	(3.0)
From continuing operations			
Basic		(14.7)	(2.6)
Diluted		(14.7)	(2.6)



INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTE	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Loss for the period	7	(324,941)	(69,505)
Other comprehensive income (expense) for the period:			
Items that will not be subsequently reclassified to profit or loss for the period:			
Surplus on transfer of right-of-use assets and property, plant and equipment to investment properties at fair value		1,743	14,236
Fair value gain on investment in equity instrument at fair value through other comprehensive income		4,830	963
Deferred tax relating to items that will not be reclassified to profit or loss		(1,470)	(3,720)
Exchange difference arising on translation to presentation currency		(37,467)	2,848
Other comprehensive (expense) income for the period		(32,364)	14,327
Total comprehensive expense for the period		(357,305)	(55,178)
Total comprehensive (expense) income attributable to:			
Owners of the Company		(356,777)	(56,777)
Non-controlling interests		(528)	1,599
		(357,305)	(55,178)



INTERIM FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	NOTES	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Investment properties	10	751,889	793,755
Property, plant and equipment	10	179,251	205,990
Right-of-use assets	10	35,507	44,802
Intangible assets	10	18,218	60,561
Deferred tax assets		–	68,824
Interests in associates		59,021	59,613
Equity instruments at fair value through other comprehensive income ("FVTOCI")	20	68,162	63,112
Consideration receivables		33,354	34,443
		1,145,402	1,331,100
Current assets			
Inventories	14	294,149	244,761
Properties held for sale		9,196	9,613
Trade and notes receivables	12	81,151	98,244
Other receivables, deposits and prepayments		126,340	159,980
Consideration receivables		20,507	23,214
Amounts due from associates		7,579	20,485
Financial assets at fair value through profit or loss ("FVTPL")	20	2,916	4,152
Pledged bank deposits		38,313	16,145
Short-term bank deposits		301,891	353,177
Bank balances and cash		187,873	322,309
		1,069,915	1,252,080



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		30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
	NOTES		
Current liabilities			
Trade and notes payables	15	211,097	218,852
Contract liabilities		113,990	126,412
Deposits from tenants		4,192	5,468
Other payables, deposits received, accruals and deferred income		45,047	49,323
Bank borrowings	16	133,175	41,851
Lease liabilities		5,519	6,019
Tax payable		35,439	37,311
		548,459	485,236
Net current assets		521,456	766,844
Total assets less current liabilities		1,666,858	2,097,944
Capital and reserves			
Share capital	17	223,854	227,977
Reserves		1,282,632	1,653,275
Equity attributable to owners of the Company		1,506,486	1,881,252
Non-controlling interests		12,403	12,931
Total equity		1,518,889	1,894,183
Non-current liabilities			
Deposits from tenants		8,565	7,620
Lease liabilities		6,709	8,554
Deferred tax liabilities		89,538	143,158
Deferred income		43,157	44,429
		147,969	203,761
		1,666,858	2,097,944



INTERIM FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company											Non-controlling interests	Total	
	Share capital	Share premium	Statutory surplus reserve	Other reserve	Share option reserve	Employee share trust reserve	Properties revaluation reserve	Asset revaluation reserve	Capital redemption reserve	Translation reserve	Accumulated profits (loss)			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (audited)	236,254	795,094	68,300	95,282	18,554	(3,187)	234,396	1,945	21,983	188,183	475,598	2,132,402	15,463	2,147,865
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(69,710)	(69,710)	205	(69,505)
Other comprehensive income for the period	-	-	-	-	-	-	10,756	722	-	1,455	-	12,933	1,394	14,327
Total comprehensive income (expense) for the period	-	-	-	-	-	-	10,756	722	-	1,455	(69,710)	(56,777)	1,599	(55,178)
Exercise of share options	-	1	-	-	(1)	-	-	-	-	-	-	-	-	-
Share options forfeited	-	-	-	-	(107)	-	-	-	-	-	107	-	-	-
Purchase of share under the share award scheme	-	-	-	-	-	(11,443)	-	-	-	-	-	(11,443)	-	(11,443)
Disposal of subsidiaries	-	-	(1,593)	(11)	-	-	-	-	-	301	1,593	290	(267)	23
Transfer to statutory surplus reserve	-	-	350	-	-	-	-	-	-	-	(350)	-	-	-
At 30 June 2021 (unaudited)	236,254	795,095	67,057	95,271	18,446	(14,630)	245,152	2,667	21,983	189,939	407,238	2,064,472	16,795	2,081,267
At 1 January 2022 (audited)	227,977	768,915	56,656	95,271	18,060	(16,623)	258,200	3,394	30,475	205,870	233,057	1,881,252	12,931	1,894,183
Loss for the period	-	-	-	-	-	-	-	-	-	-	(324,851)	(324,851)	(90)	(324,941)
Other comprehensive income for the period	-	-	-	-	-	-	1,480	3,623	-	(37,029)	-	(31,926)	(438)	(32,364)
Total comprehensive expense for the period	-	-	-	-	-	-	1,480	3,623	-	(37,029)	(324,851)	(356,777)	(528)	(357,305)
Exercise of share options	105	189	-	-	(188)	-	-	-	-	-	-	105	-	105
Repurchase of ordinary shares	(4,228)	(13,866)	-	-	-	-	-	-	4,228	-	(4,228)	(18,094)	-	(18,094)
Transfer to statutory surplus reserve	-	-	2,269	-	-	-	-	-	-	-	(2,269)	-	-	-
At 30 June 2022 (unaudited)	223,854	755,238	58,925	95,271	17,871	(16,623)	259,680	7,017	34,703	168,841	(98,291)	1,506,486	12,403	1,518,889



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Notes:

- (a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except where the reserve has reached 50% of the subsidiaries' registered capital). The reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (b) Other reserve was arisen from the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the difference between the considerations paid and the relevant non-controlling interests upon the acquisition of additional interests in subsidiaries.



INTERIM FINANCIAL STATEMENTS



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	(206,604)	(26,418)
Decrease in properties held for sales	–	109
Decrease in contract liabilities	(9,346)	(19,591)
Other movements in working capitals	26,871	(44,331)
Cash used in operations	(189,079)	(90,231)
Interest received	5,817	9,516
Tax paid	(270)	(126)
NET CASH USED IN OPERATING ACTIVITIES	(183,532)	(80,841)
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at FVTPL	4,035	167,486
Proceeds on disposal of property, plant and equipment	5,822	1,447
Purchase of		
– financial assets at FVTPL	–	(166,281)
– equity instruments at FVTOCI	(7,244)	(9,034)
Purchase of property, plant and equipment	(49,581)	(20,869)
Development costs paid	(4,276)	(20,953)
Purchase of intangible assets	(2,230)	–
Net cash inflow on disposal of subsidiaries	–	350
Receipt of consideration receivables	2,173	30,192
Placement of pledged bank deposits	(39,163)	(23,899)
Withdrawal of pledged bank deposits	15,787	13,878
Placement of short-term bank deposits	(112,961)	(229,087)
Withdrawal of short-term bank deposits	267,875	35,100
Dividend received	267	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	80,504	(221,670)



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	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	104,049	70,463
Repayments of bank borrowings	(8,841)	(36,135)
Interest paid	(1,861)	(1,631)
Purchase of shares under share award scheme	–	(11,443)
Repayment of lease liabilities	(4,154)	(5,026)
Repurchase of shares	(18,094)	–
Proceeds from exercise of share options	105	–
NET CASH FROM FINANCING ACTIVITIES	71,204	16,228
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,824)	(286,283)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	322,309	667,935
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,782)	2,336
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	286,703	383,988
REPRESENTED BY:		
Bank balances and cash	187,873	322,309
Short-term bank deposits	98,830	61,679
	286,703	383,988



INTERIM FINANCIAL STATEMENTS



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) with limited liability.

The Company is an investment holding company. The principal activities of its subsidiaries are carrying out handsets and internet of things ("IOT") terminals business, electronic manufacturing services ("EMS") business, and property management in the PRC.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), as the Directors of the Company consider that it is a more appropriate presentation for a company listed on the Stock Exchange and for the convenience of the shareholders.

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

During the current interim period, due to the mandatory restrictions imposed in parts of the PRC (especially Shanghai) to combat the coronavirus disease (COVID-19) pandemic since mid-March 2022, the Group's operations were substantially affected and the turnover of the Group dropped significantly compared with six months ended 30 June 2021.

The management of the Group had reassessed its forecast and concluded there was indication for impairment in the handsets and IOT terminals business and EMS business. It conducted impairment assessment of the relevant cash-generating units and an impairment loss was recognised for certain long-term assets. Details of the impairment assessment are set out in Note 11.



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2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's performance and financial positions for the current period and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

INTERIM FINANCIAL STATEMENTS

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2022 (unaudited)

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Total HK\$'000
Types of goods or services				
Sale of handsets and IOT terminals	233,531	–	–	233,531
Electronic manufacturing services	–	17,826	–	17,826
Property rental	–	–	26,982	26,982
Total	233,531	17,826	26,982	278,339
Revenue from contracts with customers and timing of revenue recognition				
A point in time	233,531	–	N/A	
Over time	–	17,826	N/A	
Total	233,531	17,826	N/A	



INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021 (unaudited)

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Total HK\$'000
Types of goods or services				
Sale of handsets and IOT terminals	308,257	-	-	308,257
Electronic manufacturing services	-	45,656	-	45,656
Property rental	-	-	30,563	30,563
Total	308,257	45,656	30,563	384,476
Revenue from contracts with customers and timing of revenue recognition				
A point in time	308,257	-	N/A	
Over time	-	45,656	N/A	
Total	308,257	45,656	N/A	

Geographical markets

The Group's revenue are substantially generated from the PRC, the country of domicile from which the group entities derive revenue. No further analysis is presented.

INTERIM FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

Segment information is presented based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

The Group was reorganised into three (year ended 31 December 2021: three) reportable and operating segments, being handsets and IOT terminals business, EMS business, and property management.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2022 (unaudited)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue				
External sales	233,531	17,826	26,982	278,339
Segment (loss) profit	(255,813)	(13,722)	2,076	(267,459)
Other income and other gains and losses – unallocated				(34,918)
Share of results of associates				1,739
Corporate expenses				(4,648)
Finance costs				(2,056)
Loss before taxation				(307,342)



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For the six months ended 30 June 2021 (unaudited)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue				
External sales	308,257	45,656	30,563	384,476
Segment (loss) profit	(80,647)	743	10,547	(69,357)
Other income and other gains and losses				
- unallocated				1,326
Share of results of associates				10,206
Corporate expenses				(3,432)
Finance costs				(2,258)
Loss before taxation				(63,515)

Segment result represents the financial result by each segment without allocation of interest income, dividend income, unallocated foreign exchange loss, loss on disposal of subsidiaries, net gain or loss on financial assets at fair value through profit or loss, share of results of associates, certain other income, corporate expenses, finance costs and taxation.



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The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Segment assets		
Handsets and IOT terminals business	621,725	641,264
EMS business	53,367	80,138
Property management	751,889	817,259
Total reportable segment assets	1,426,981	1,538,661
Unallocated assets	788,336	1,044,519
Total assets	2,215,317	2,583,180
Segment liabilities		
Handsets and IOT terminals business	382,208	387,956
EMS business	8,522	50,744
Property management	36,878	16,660
Total reportable segment liabilities	427,608	455,360
Unallocated liabilities	268,820	233,637
Total liabilities	696,428	688,997



INTERIM FINANCIAL STATEMENTS

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, interests in associates, properties held for sale, consideration receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, financial assets at FVTPL, financial assets at FVTOCI, deferred tax assets and certain other receivables, deposits and prepayments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments.

For the purposes of monitoring segment performances and allocating resources between segments, all liabilities are allocated to reportable and operating segments other than certain lease liabilities, certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities.

5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Refund of Value Added Tax ("VAT") (Note i)	735	1,030
Government grants (Note ii)	10,239	9,338
Interest income earned on bank balances	7,468	9,926
Dividend income	267	101
Others	2,008	356
	20,717	20,751



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	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other gains and losses		
Net foreign exchange loss	(30,341)	(6,786)
Changes in fair values of investment properties	(10,640)	(4,181)
Loss on disposal of subsidiaries	–	(2,221)
Net loss arising on financial assets measured at fair value through profit or loss	(1,236)	(1,036)
Others	86	2,256
	(42,131)	(11,968)

Notes:

- (i) Shanghai Simcom Limited ("Shanghai Simcom") and Shanghai Pami Intelligent Technology Co. Limited are engaged in the business of distribution of self-developed and produced software and the development of automated test equipment and software. Under the current PRC tax regulation, they are entitled to a refund of VAT paid for sales of self-developed and produced software and the development of automated test software in the PRC.
- (ii) During the six months ended 30 June 2022, the amount includes HK\$2,053,000 (six months ended 30 June 2021: HK\$4,490,000) unconditional government grants received during the period which was granted to encourage the Group's research and developments ("R&D") activities in the PRC.

As at 30 June 2022, an amount of HK\$43,157,000 (31 December 2021: HK\$45,736,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).



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6. TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Taxation comprises:		
PRC Enterprise Income Tax ("EIT")	(10)	(126)
Deferred tax (charge) credit	(17,589)	3,967
Taxation for the period	(17,599)	3,841

No provision for Hong Kong Profits Tax has been made for both periods as the Group has no assessable profits arising in Hong Kong.

EIT is calculated at the rates prevailing in the relevant districts of the PRC taking relevant tax incentives into account. Shanghai Simcom, Kongtop Industrial (Shenzhen) Co., Limited, Smartwireless Technology Limited and Shanghai Sunrise Simcom Limited are classified as New and High Technology Enterprise and are entitled to adopt a tax rate of 15%. The relevant annual tax rate used for EIT for the Group's subsidiaries ranged from 15% to 25% (six months ended 30 June 2021: 15% to 25%).

Deferred tax charge represented taxable temporary differences associated with revaluation of equity instrument at FVTOCI and revaluation of investment properties and the deductible temporary differences that were previously recognised associated with write-down of inventories, trade receivables and impairment of property, plant and equipment. The directors considered the deductible temporary differences that were previously recognised to the extent that the amounts are no longer probable to be recovered and were reversed during the period.

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7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in cost of sales and services)	28,816	33,976
Less: Amount capitalised in development costs	-	(135)
Less: Amount capitalised in inventories	(28,816)	(33,841)
	-	-
Depreciation of property, plant and equipment	16,992	16,421
Less: Amount capitalised in development costs	-	(1,370)
Less: Amount capitalised in inventories	(12,328)	(13,323)
	4,664	1,728
Depreciation of right-of-use assets	3,652	5,128
Staff costs including directors' emoluments	180,682	94,351
Less: Amount capitalised in development costs	(3,542)	(23,166)
Less: Amount capitalised in inventories	(13,564)	(11,313)
	163,576	59,872
Costs of inventories recognised as an expense (included in cost of sales and services)	237,087	278,081
Cost of manufacturing services (included in cost of sales and services)	30,219	44,118



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8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	(324,851)	(69,710)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,206,191	2,362,549

The calculation of basic and diluted loss per share for the six months ended 30 June 2022 and 2021 has excluded the ordinary shares repurchased but not cancelled and held in a trust which are accounted for as treasury shares of the Company.

For the six months ended 30 June 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in loss per share.



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From continuing operations

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss figures are calculated as follow:		
Loss for the period attributable to owners of the Company	(324,851)	(69,710)
Add: Loss for the period from discontinued operations	N/A	9,245
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	(324,851)	(60,465)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

For the six months ended 30 June 2021, basic and diluted loss per share from discontinued operations was HK0.4 cents per share based on the loss for the period from discontinued operations of HK\$9,245,000 and the denominators detailed above for both basic and diluted loss per share.



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10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Investment properties

The fair value of the Group's investment properties at 30 June 2022 and 31 December 2021 were arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not related to the Group.

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties were assessed and discounted at the market yield expected by investors for this type of properties. The market rentals were assessed based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions. The rate was determined by reference to the yields derived from analysing the sales transactions of similar commercial and industrial properties in Shanghai and Shenyang. The valuation technique used was the same as that adopted in previous years.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. At the end of the reporting period, the chief financial officer of the Group worked closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Where there was a material change in the fair value of the assets, the causes of the fluctuations would be reported to the management of the Group.



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During the current interim period, the Group transferred certain buildings from property, plant and equipment and right-of-use assets with aggregate carrying amount of HK\$1,293,000 (six months ended 30 June 2021: HK\$9,447,000) to investment properties because its use was changed as evidenced by the end of owner-occupation. The difference between the carrying amounts and the fair values of the relevant properties at the date of transfer amounted to HK\$1,743,000 (six months ended 30 June 2021: HK\$14,236,000) and was recognised in other comprehensive income.

The fair value of investment properties as at 30 June 2022 was HK\$751,889,000 (31 December 2021: HK\$793,755,000) and a fair value loss of HK\$10,640,000 (six months ended 30 June 2021: fair value loss of HK\$4,181,000) have been recognised directly in profit or loss for the six months ended 30 June 2022.

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to HK\$49,581,000 (six months ended 30 June 2021: HK\$20,869,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$5,736,000 (six months ended 30 June 2021: HK\$2,276,000) for cash proceeds of HK\$5,822,000 (six months ended 30 June 2021: HK\$1,447,000), resulting in a gain on disposal of HK\$86,000 (six months ended 30 June 2020: gain on disposal of HK\$1,000). In addition, certain property, plant and equipment with carrying amount of HK\$830,000 as at 30 June 2021 were disposed as a result of the disposal of 上海雲灝貿易有限公司 (unofficial English translation being Shanghai Yunhao Trading Limited) ("Shanghai Yunhao") and 上海蓁康電子有限公司 (unofficial English translation being Shanghai Zhenkang Electronics Limited) ("Shanghai Zhenkang").



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Right-of-use assets

During the current interim period, the Group entered into several new lease agreements for the use of office premises and warehouses with lease term ranged from two to three years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liability amounted to HK\$2,182,000 (six months ended 30 June 2021: HK\$2,604,000).

Intangible assets

During the current interim period, additions to the Group's intangible assets amounted to HK\$6,506,000 (six months ended 30 June 2021: HK\$20,953,000) including addition to development costs of HK\$4,276,000 (six months ended 30 June 2021: HK\$20,953,000) for development projects on the products.

11. IMPAIRMENT LOSSES ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

In 2021, the management of the Group formulated aggressive development plan that the Group's business had to grow rapidly in the next few years. The Group invested heavily in expanding its R&D team and recruited talents from the industry to join the management team and various departments. The Group achieved remarkable results in expanding its customer base. During the current interim period, the COVID-19 pandemic broke out again in different parts of the PRC, especially in Shanghai where the Group's headquarters, R&D centres and main production plants are located. During the two-month lockdown, nearly every sector of Shanghai's economy was severely hit. The production and deliveries of both new and the existing projects were delayed or could not be executed due to the abnormal supply of materials and the inability to communicate with upstream and downstream partners. As a result, the sales channels acquired last year could not be converted into revenue. The revenue of the Group dropped significantly.



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The management of the Group considered that the impact of the pandemic was particularly severe and expected the economy to take longer time of recovery. As a result, the management of the Group reassessed its forecast for the year taking into consideration the current sales orders on hand and concluded there was indication for impairment in handsets and IOT terminal business and EMS business. The management of the Group conducted impairment assessment on certain property, plant and equipment, right-of-use assets and intangible assets with finite useful lives in handsets and IOT terminal business with carrying amounts of HK\$156,930,000, HK\$19,970,000 and HK\$35,488,000, respectively and impairment assessment on certain property, plant and equipment and right-of-use assets in EMS business with carrying amounts of HK\$37,230,000 and HK\$2,165,000, respectively. The recoverable amounts of owned properties and related leasehold land in handsets and IOT terminal business are estimated individually.

Handsets and IOT terminal business

The recoverable amount of the assets is determined on the basis of the cash-generating unit to which the assets belong as it was not possible to estimate the individual recoverable amount for assets other than owned properties and related leasehold lands. The recoverable amount of the cash-generating unit was determined based on value-in-use calculation as it was not possible to measure fair value less costs of disposal of these assets because there was no basis to make a reliable estimation of the amount obtainable from the sales of the assets in an orderly transaction between market participants at the measurement date. The recoverable amount was assessed based on the discounted future pre-tax cash flows expected to be derived from the assets. The key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows, including budgeted sales, gross profit margin and growth rate. Such estimation was based on the unit's past performance and the management's expectations on market development. As at 30 June 2022, the calculation used cash flow projections approved by the management covering the following 5 years with annual growth rates estimated based on historical records. The cash flows beyond the five-year period were extrapolated using a 3% terminal growth rate. The growth rates were assessed taking into consideration a higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve. The pre-tax discount rate used in measuring the amount of value-in-use was 16.25%.



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Based on the result of the assessment, the management determined that the recoverable amount of the cash-generating unit was lower than the carrying amount. Therefore, impairment loss was allocated to each category of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives such that the carrying amount of each category of asset is not less than the highest of its fair value less cost of disposal, its value-in-use and zero. Based on the value-in-use calculation and the allocation, impairment loss of HK\$53,224,000, HK\$5,987,000 and HK\$17,713,000 were recognised against the carrying amount of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives respectively within the relevant functions to which these assets relate. As at 30 June 2022, the accumulated impairment loss of the related property, plant and equipment, right-of-use assets and intangible assets with finite useful lives were HK\$79,364,000, HK\$5,830,000, and HK\$56,248,000, respectively.

The Group estimated the recoverable amounts of the owned properties and related leasehold lands in handsets and IOT terminal business based on fair value less costs of disposal. The carrying amounts of the relevant assets did not exceed the recoverable amounts based on fair value less costs of disposal and no impairment was recognised.



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EMS business

The recoverable amount of the assets was determined on the basis of the cash-generating unit to which the assets belong as it was not possible to estimate the recoverable amount individually. The recoverable amount of the cash-generating unit was determined based on value-in-use calculation as it was not possible to measure fair value less costs of disposal because there was no basis to make a reliable estimation of the amount obtainable from the sales of the assets in an orderly transaction between market participants at the measurement date. The recoverable amount was assessed based on the discounted future pre-tax cash flows expected to be derived from the assets. The key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows, including budgeted sales, gross profit margin and growth rate, such estimation was based on the unit's past performance and the management's expectations on market development. As at 30 June 2022, the calculation used cash flow projections approved by the management covering the following 5 years with annual growth rates estimated based on historical records. The cash flows beyond the five-year period were extrapolated using a 3% terminal growth rate. The growth rates were assessed taking into consideration a higher degree of estimation uncertainties due to uncertainty on how the COVID-19 pandemic may progress and evolve. The pre-tax discount rate used in measuring the amount of value-in-use was 15.98%.

Based on the result of the assessment, the management determined that the recoverable amount of the cash-generating units was higher than the carrying amount. Therefore, no impairment was recognised during the period.



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12. TRADE AND NOTES RECEIVABLES

The normal credit period given on sale of goods and services relating to handsets and IOT terminals business and EMS business is 0-90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition.

The following is an aged analysis of trade receivables, net of allowance for credit losses, as well as notes receivables presented based on the invoice dates at the end of the reporting period, which approximated the revenue recognition dates:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade receivables		
0-30 days	54,244	57,907
31-60 days	5,266	6,356
61-90 days	2,057	7,289
91-180 days	6,711	15,408
Over 180 days	35,182	30,955
	103,460	117,915
Less: Accumulated for credit losses	(25,012)	(27,290)
	78,448	90,625
Notes receivables (<i>Note</i>)		
0-30 days	2,305	5,034
31-60 days	11	495
61-90 days	365	13
91-180 days	22	1,832
Over 180 days	–	245
	2,703	7,619
Trade and notes receivables	81,151	98,244

Note: Notes receivables represent the promissory notes issued by banks received from the customers.

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13. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment losses recognised in respect of		
Trade receivables	–	2,800
Other receivables	–	1,200
Amounts due from associates	12,822	–
	12,822	4,000

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

14. INVENTORIES

	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Raw materials	229,779	184,062
Work in progress	29,768	25,320
Finished goods	34,602	35,379
	294,149	244,761



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15. TRADE AND NOTES PAYABLES

Trade and notes payables principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 30-90 days.

An aged analysis of the Group's trade and notes payables at the end of the reporting period presented based on the invoice dates for trade payables or dates of issuance for notes payables is as follows:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade payables		
0-30 days	137,910	124,475
31-60 days	2,905	3,144
61-90 days	1,348	4,844
Over 90 days	50,667	46,027
	192,830	178,490
Notes payables		
0-30 days	9,787	40,362
31-60 days	2,698	-
61-90 days	5,782	-
	18,267	40,362
Trade and notes payables	211,097	218,852

INTERIM FINANCIAL STATEMENTS

16. BANK BORROWINGS

During the current period, the Group obtained new short-term borrowings with total amount of HK\$104,049,000 (six months ended 30 June 2021: HK\$70,463,000). The bank borrowings carry interest rate ranged from 1.02% to 3.15% per annum (six months ended 30 June 2021: interest rate ranged from 2.90% to 3.05% per annum) and are repayable within one year. Pursuant to the loan agreements, the bank borrowings were secured by pledged bank deposits.

17. SHARE CAPITAL

	Number of shares		Share capital	
	2022 '000	2021 '000	2022 HK\$'000	2021 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1 January and 30 June	3,000,000	3,000,000	300,000	300,000
Issued:				
At 1 January	2,279,777	2,362,546	227,977	236,254
Exercise of share options	1,050	3	105	-*
Shares repurchased and cancelled	(42,280)	-	(4,228)	-
At 30 June	2,238,547	2,362,549	223,854	236,254

* The amount is less than HK\$1,000.



INTERIM FINANCIAL STATEMENTS



18. COMMITMENTS

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Capital commitment in respect of plant and equipment	2,360	-

INTERIM FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

The Group has following transactions and balances with related parties:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Amounts due from associates	7,579	20,485

The amounts due from associates are unsecured, interest free with 30-60 days credit terms.

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Handset and IOT terminals business income from associates	2,600	1,766

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Short term benefits	2,799	1,411
Post-employment benefits	231	144
	3,030	1,555



INTERIM FINANCIAL STATEMENTS

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



INTERIM FINANCIAL STATEMENTS



	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Relationship of unobservable inputs to fair value
	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)			
Financial assets:					
Equity instruments at FVTOCI	68,162	63,112	Level 3	Market approach - in this approach, price to book value (PB multiple) adjusted with discount for lack of marketability was adopted for the valuation of the ownership of the investee base on PB multiple of a group of comparable companies in the market in the similar business.	An increase in the adjusted net assets, holding all other variables constant would increase the carrying amount.
Financial assets at FVTPL					
- listed equity security	2,916	4,152	Level 1	Quoted bid prices in an active market.	N/A



INTERIM FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI HK\$'000
As at 1 January 2021 (audited)	12,382
Purchased	9,034
Total gain in other comprehensive income	963
Exchange adjustment	(1)
As at 30 June 2021 (unaudited)	22,378
As at 1 January 2022 (audited)	63,112
Purchased	7,244
Total gain in other comprehensive income	4,830
Redemption	(4,035)
Exchange adjustment	(2,989)
As at 30 June 2022 (unaudited)	68,162

Included in other comprehensive income is an amount of HK\$4,830,000 gain (six months ended 30 June 2021: HK\$963,000 gain) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "assets revaluation reserve".

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated statement of financial position approximate their fair values.



INTERIM FINANCIAL STATEMENTS



21. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

During the six months ended 30 June 2021, the Group entered into a sale agreement to dispose of its entire 98.7% equity interest in Shanghai Yunhao that carried out the majority of the Group's IOT system and O2O business. The purpose of the disposal was to generate cash for the expansion of the Group's other businesses. The disposal was completed on 6 April 2021, on which date the Group lost control of Shanghai Yunhao. The Group's IOT system and O2O business were treated as discontinued operations.

The results of the IOT system and O2O business for the last interim period were as follows:

	Period from 1 January 2021 to 6 April 2021 HK\$'000 (unaudited)
Revenue	31,146
Cost of sales	<u>(28,520)</u>
Gross profit	2,626
Other income	523
Other gains and losses	(14)
Research and development expenses	(2)
Selling and distribution costs	(3,792)
Administrative expenses	(9,137)
Finance costs	<u>(35)</u>
Loss before taxation	(9,831)
Taxation	<u>-</u>
Loss for the period	<u><u>(9,831)</u></u>



INTERIM FINANCIAL STATEMENTS

The net assets of Shanghai Yunhao at the date of disposal were as follows:

	HK\$'000 (unaudited)
Net assets disposed of	39,182
Non-controlling interests disposed of	2,453
Reclassification of cumulative translation reserve upon disposal of Shanghai Yunhao to profit or loss	(16)
	<u>41,619</u>
Loss on disposal	(808)
Total consideration	<u>40,811</u>
Satisfied by:	
Cash	4,081
Deferred cash consideration (Note)	36,730
	<u>40,811</u>
Net cash inflow arising on disposal:	
Total cash consideration received	4,081
Bank balances and cash disposed of	(699)
	<u>3,382</u>

Note: The deferred consideration will be settled in cash by the buyer on or before the year 2026. The remaining 90% deferred consideration is separated into six instalments with 7% interest per annum.



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In addition to the disposal of Shanghai Yunhao, during the six months ended 30 June 2021, the Group entered into another sale agreement to dispose of its 8.6% equity interest in Shanghai Zhenkang that support the Group's IOT system and O2O business. The Group originally owned 50.1% equity interest in Shanghai Zhenkang. The disposal was completed on 16 April 2021, on which date the Group lost control of Shanghai Zhenkang. With 41.5% equity interest in Shanghai Zhenkang, the directors conclude that the Group no longer controls but has significant influence over Shanghai Zhenkang and therefore it becomes as an associate of the Group.

The net assets of Shanghai Zhenkang at the date of disposal were as follows:

	HK\$'000 (unaudited)
Net assets disposed of	5,450
Non-controlling interest disposed of	(2,720)
Reclassification of cumulative translation reserve upon disposal of Shanghai ZhenKang to profit or loss	(285)
	<u>2,445</u>
Loss on disposal	(1,413)
Total consideration	<u>1,032</u>
Satisfied by:	
Cash	<u>1,032</u>
Net cash outflow arising on disposal:	
Total cash consideration received	1,032
Bank balances and cash disposed of	(4,064)
	<u>(3,032)</u>



OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES

At 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (CAP 571, Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name of director	Nature of interest	Total number of ordinary shares of the Company	Total	Approximate percentage of interest in the Company (note 3)
Mr Wong Cho Tung	Corporate interest (note 1)	1,209,084,000	1,209,084,000	54.01%
	Personal interest	3,098,000	3,098,000	0.14%
	Total		1,212,182,000	54.15%
Ms Yeung Man Ying	Corporate interest (note 2)	734,857,000	734,857,000	32.83%
	Personal interest	3,418,000	3,418,000	0.15%
	Total		738,275,000	32.98%
Mr Liu Jun	Personal interest	1,000,000	1,000,000	0.04%



OTHER INFORMATION



Notes:

1. Mr Wong Cho Tung ("Mr Wong") controls more than one-third of the voting power of Info Dynasty Group Limited ("Info Dynasty"). Mr Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Mr Wong is the sole director of Intellipower Investments Limited ("Intellipower") and Simcom Limited ("Simcom (BVI)") is wholly-owned by Mr Wong. Therefore, Mr Wong is deemed to be interested in all the 454,227,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) respectively in the Company by virtue of Part XV of the SFO respectively.
2. Ms Yeung Man Ying ("Mrs Wong"), the spouse of Mr Wong, controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty by virtue of Part XV of the SFO.
3. Calculation of percentage of interest in the Company is based on the issued share capital of 2,238,547,300 shares of the Company as at 30 June 2022.

As at 30 June 2022, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' OR OTHERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 30 June 2022, the interests of the substantial Shareholders and other persons (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of shareholder	Nature of interest	Total number of ordinary shares of the Company	Approximate percentage of interest in the Company (note 1)
Info Dynasty (note 2)	Personal interest	734,857,000	32.83%
Intellipower (note 3)	Personal interest	454,227,000	20.29%

Notes:

1. Calculation of percentage of interest in the Company is based on the issued share capital of 2,238,547,300 shares of the Company as at 30 June 2022.
2. The relationship between Info Dynasty and Mr Wong and the relationship between Info Dynasty and Mrs Wong is disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Position in Shares" above.
3. The relationship between Intellipower and Mr Wong is disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Position in Shares".

Save as disclosed above, as at 30 June 2022, no other substantial Shareholders or persons had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under the section 336 of the SFO.



OTHER INFORMATION



SHARE OPTIONS

The Company has adopted a share option scheme in accordance with Chapter 17 of the Listing Rules. Details of outstanding share options and their movements during 1H-2022 are as follows:

Category of participants	Date of grant (note 1)	Outstanding at 1 January 2022	Exercised during the period	Outstanding at 30 June 2022
Employees of the Group	19.7.2013	7,146,000	(1,050,000) (note 2)	6,096,000
Consultants	19.7.2013	45,400,000		45,400,000
Total		52,546,000	(1,050,000)	51,496,000

Notes:

1. In relation to each grantee of options granted on 19 July 2013, 25% of options will vest in each of the four years from 15 April 2014. The exercise price per share is HK\$0.346 and the exercise period is 15 April 2014 to 18 July 2023. No share options were granted during 1H-2022.
2. The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK\$0.44 per share.

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2022.



OTHER INFORMATION



SHARE AWARD SCHEME

On 30 September 2020 ("Date of Adoption"), the Board adopted the Share Award Scheme for the purposes of recognising the contributions by certain employees, directors, and consultants of the Company ("Eligible Persons") and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attracting suitable personnel for further development of the Group.

The total number of the shares to be awarded pursuant to the Share Award Scheme shall not exceed 10% of the total issued share capital of the Company as at the Date of Adoption (i.e. 236,509,030 Shares). In any 12-month period, the maximum number of shares which may be awarded to a selected person shall not exceed 1% of the total number of the Shares as at the Date of Adoption.

Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Date of Adoption, after which period no further awards will be granted but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any awards granted prior to the expiration of the Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Award Scheme.

No shares have been awarded by the Company under the Share Award Scheme since its effective date. As at 30 June 2022, there are 41,630,000 shares held for such scheme with carrying amount of HK\$16,623,000 accumulated in employee share trust reserve.

Save as disclosed above, at no time during 1H-2022 was the Company or any of its subsidiaries a party to any arrangements that would enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and save as disclosed in this report, none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during 1H-2022.



OTHER INFORMATION



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 6 months ended 30 June 2022, the Company repurchased 30,594,000 shares of the Company on the Stock Exchange and the shares repurchased were cancelled immediately. Details of the repurchase were as follows:

Month of repurchase	Number of shares repurchased '000	Price per share		Aggregate price paid (inclusive of related expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2022	20,648	0.480	0.455	9,685
May 2022	3,260	0.320	0.290	1,006
June 2022	6,686	0.370	0.330	2,397
	<u>30,594</u>			<u>13,088</u>

Other than the share repurchased by the Company as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during 1H-2022.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions laid down in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules for 1H-2022.



OTHER INFORMATION

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All Directors confirmed, following specific enquiry by the Company with all Directors, that each of them had fully complied with the required standard as set out in the Model Code during 1H-2022.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and reviewed the unaudited condensed consolidated interim financial information of the Group for 1H-2022. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2022 has been reviewed but not audited by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.



CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Ms YEUNG Man Ying (*Chairman*)

Mr WONG Cho Tung (*President*)

Mr LIU Jun (*Chief technical officer*)

Mr ZHU Wenhui

Mr GAO Jun

Non-executive Director

Mr WONG Hei, Simon

Independent non-executive Directors

Mr LIU Hing Hung

Mr WU Zhe

Mr LI Minbo

AUDIT COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr WU Zhe

Mr LI Minbo

REMUNERATION COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr WU Zhe

Mr LI Minbo

Mr WONG Cho Tung

NOMINATION COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr LI Minbo

Mr WONG Cho Tung

COMPANY SECRETARY

Ms CHAN Chi Yin

AUDITORS

Certified Public Accountants

Registered public interest entity auditors

Deloitte Touche Tohmatsu

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