# SIM TECHNOLOGY GROUP LIMITED
# 晨訊科技集團有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 2000)**

## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board ("**Board**") of directors ("**Directors**") of SIM Technology Group Limited ("**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 30 June 2023 ("**1H-2023**") together with the comparative figures for the six months ended 30 June 2022 ("**1H-2022**") as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **297,754** | 278,339 |
| Cost of sales and services | | **(245,002)** | (267,306) |
| Gross profit | | **52,752** | 11,033 |
| Other income | *5* | **38,057** | 20,717 |
| Other gains and losses | *5* | **(29,899)** | (42,131) |
| Impairment losses on property, plant and equipment, right-of-use assets and intangible assets | | **–** | (76,923) |
| Impairment losses under expected credit model, net of reversal | | **(672)** | (12,822) |
| Research and development expenses | | **(63,913)** | (123,042) |
| Selling and distribution costs | | **(10,943)** | (18,941) |
| Administrative expense | | **(34,093)** | (64,916) |
| Share of results of an associates | | **(1,168)** | 1,739 |
| Finance costs | | **(1,933)** | (2,056) |

| | Notes | Six months ended 30 June<br>**2023**<br>***HK$'000*** | <br>2022<br>*HK$'000* |
|---|---|---|---|
| Loss before taxation | | **(51,812)** | (307,342) |
| Taxation | *6* | **1,473** | (17,599) |
| Loss for the period | | **(50,339)** | (324,941) |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | **(50,407)** | (324,851) |
| Non-controlling interests | | **68** | (90) |
| | | **(50,339)** | (324,941) |
| **Loss per share (HK cents)** | *9* | | |
| Basic | | **(2.3)** | (14.7) |
| Diluted | | **(2.3)** | (14.7) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| Loss for the period | **(50,339)** | (324,941) |
| 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 rights-of-use assets and property, plant and equipment to investment properties at fair value | **1,328** | 1,743 |
| Fair value (loss) gain on investment in equity instrument at fair value through other comprehensive income | **(413)** | 4,830 |
| Deferred tax relating to items that will not be reclassified to profit or loss | **103** | (1,470) |
| Exchange difference arising on translation to presentation currency | **(23,245)** | (37,467) |
| Other comprehensive expense for the period | **(22,227)** | (32,364) |
| Total comprehensive expense for the period | **(72,566)** | (357,305) |
| Total comprehensive (expense) income attributable to: | | |
| Owners of the Company | **(72,634)** | (356,777) |
| Non-controlling interests | **68** | (528) |
| | **(72,566)** | (357,305) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2023** *HK$'000* **(unaudited)** | 31 December 2022 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **654,104** | 664,865 |
| Property, plant and equipment | | **65,722** | 82,218 |
| Right-of-use assets | | **60,557** | 67,196 |
| Intangible assets | | **74** | 565 |
| Interests in associates | | **49,372** | 60,056 |
| Equity instruments at fair value through other comprehensive income ("**FVTOCI**") | | **57,244** | 61,376 |
| Consideration receivables | | **16,919** | 17,227 |
| | | **903,992** | 953,503 |
| **Current assets** | | | |
| Inventories | | **128,661** | 185,779 |
| Properties held for sale | | **7,949** | 8,093 |
| Trade and notes receivables | *10* | **65,917** | 77,803 |
| Other receivables, deposits and prepayments | | **60,392** | 67,418 |
| Consideration receivables | | **18,698** | 25,147 |
| Amounts due from associates | | **–** | 5,772 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | | **954** | 1,602 |
| Pledged bank deposits | | **119,123** | 165,846 |
| Short-term bank deposits | | **245,249** | 168,122 |
| Bank balances and cash | | **97,199** | 191,814 |
| | | **744,142** | 897,396 |
| Assets held for disposal | | **200,870** | 202,955 |
| | | **945,012** | 1,100,351 |
| **Current liabilities** | | | |
| Trade and notes payables | *11* | **113,181** | 157,160 |
| Deposits from tenants | | **3,926** | 2,242 |
| Deferred income | | **1,116** | 1,136 |
| Other payables and accruals | | **42,284** | 48,919 |
| Contract liabilities | | **84,414** | 105,893 |
| Bank borrowings | | **178,750** | 240,240 |
| Lease liabilities | | **2,970** | 6,884 |
| Provisions | | **15,263** | – |
| Tax payables | | **33,319** | 33,981 |
| | | **475,223** | 596,455 |
| **Net current assets** | | **469,789** | 503,896 |
| **Total assets less current liabilities** | | **1,373,781** | 1,457,399 |

| | 30 June 2023 HK$'000 (unaudited) | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **219,852** | 219,852 |
| Reserves | **1,001,727** | 1,074,361 |
| Equity attributable to owners of the Company | **1,221,579** | 1,294,213 |
| Non-controlling interests | **11,259** | 14,123 |
| **Total equity** | **1,232,838** | 1,308,336 |
| **Non-current liabilities** | | |
| Deposits from tenants | **6,288** | 6,666 |
| Lease liabilities | **4,529** | 6,234 |
| Deferred tax liabilities | **93,709** | 96,555 |
| Deferred income | **36,417** | 39,608 |
| | **140,943** | 149,063 |
| | **1,373,781** | 1,457,399 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

### 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 and property management in the People's Republic of China ("**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 of Hong Kong Limited ("**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 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.

### 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

**Application of 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 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform – Pillar Two model Rules |

Except as described below, 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.

### 2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

*2.1.1 Accounting policies*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

*2.1.2 Transition and summary of effects*

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets and deferred tax liabilities with same amount of HK$2,651,000 and HK$3,134,000 as at 31 December 2022 and 2021 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

### *2.2 Impacts and changes in accounting policies on application of Amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules*

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

## 3. REVENUE

**Disaggregation of revenue from contracts with customers**

**For the six months ended 30 June 2023 (unaudited)**

| | Handsets and IOT terminals business *HK$'000* | Property management *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Types of goods or services** | | | |
| Sale of handsets and IOT terminals | **259,086** | **–** | **259,086** |
| Electronic manufacturing services | **13,541** | **–** | **13,541** |
| Property rental | **–** | **25,127** | **25,127** |
| Total | **272,627** | **25,127** | **297,754** |
| **Revenue from contracts with customers and timing of revenue recognition** | | | |
| A point in time | **259,086** | **N/A** | |
| Over time | **13,541** | **N/A** | |
| Total | **272,627** | **N/A** | |

**For the six months ended 30 June 2022 (unaudited)**

| | Handsets and IOT terminals 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 | 251,357 | 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 | 251,357 | 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.

## 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.

In the prior period, the Group was reorganised into three reportable and operating segments, being handsets and IOT terminals business, electronics manufacturing services 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 2023 (unaudited)**

| | **Handsets and IOT terminals business** *HK$'000* | **Property management** *HK$'000* | **Consolidated** *HK$'000* |
|---|---|---|---|
| Revenue | | | |
| External sales | **272,627** | **25,127** | **297,754** |
| Segment (loss) profit | **(45,051)** | **14,465** | **(30,586)** |
| Other income and other gains and losses – unallocated | | | **(14,295)** |
| Share of results of associates | | | **(1,168)** |
| Corporate expenses | | | **(3,830)** |
| Finance costs | | | **(1,933)** |
| Loss before taxation | | | **(51,812)** |

**For the six months ended 30 June 2022 (unaudited)**

| | Handsets and IOT terminals business *HK$'000* | Property management *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| Revenue | | | |
| External sales | 251,357 | 26,982 | 278,339 |
| Segment (loss) profit | (269,535) | 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) |

Segment result represents the financial result by each segment without allocation of interest income, dividend income, unallocated foreign exchange gain (loss), loss on acquisition 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.

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

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Segment assets** | | |
| Handsets and IOT terminals business | **312,239** | 430,660 |
| Property management | **654,104** | 812,974 |
| Total reportable segment assets | **966,343** | 1,243,634 |
| Unallocated assets | **882,661** | 810,220 |
| Total assets | **1,849,004** | 2,053,854 |
| **Segment liabilities** | | |
| Handsets and IOT terminals business | **291,543** | 354,897 |
| Property management | **11,296** | 9,889 |
| Total reportable segment liabilities | **302,839** | 364,786 |
| Unallocated liabilities | **313,327** | 380,732 |
| Total liabilities | **616,166** | 745,518 |

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 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 | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income** | | |
| Refund of Value Added Tax ("**VAT**") *(Note i)* | **678** | 735 |
| Government grants *(Note ii)* | **19,615** | 10,239 |
| Bank interest income | **8,485** | 7,468 |
| Dividend income | **7,273** | 267 |
| Others | **2,006** | 2,008 |
| | **38,057** | 20,717 |
| **Other gains and losses** | | |
| Loss on disposal of property, plant and equipment | **(361)** | (86) |
| Net foreign exchange gain (loss) | **3,868** | (30,341) |
| Changes in fair values of investment properties | **(275)** | (10,640) |
| Expenses on land resumption | **(29,503)** | – |
| Loss on disposal of an associate | **(1,581)** | – |
| Donation | **(1,472)** | – |
| Net loss arising on financial assets measured at fair value through profit or loss | **(648)** | (1,236) |
| Others | **73** | 172 |
| | **(29,899)** | (42,131) |

*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 2023, the amount includes HK$1,077,000 (six months ended 30 June 2022: HK$2,053,000) unconditional government grants received which was granted to encourage the Group's research and development activities in the PRC.

As at 30 June 2023, an amount of HK$37,534,000 (31 December 2022: HK$40,744,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).

## 6. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Taxation comprises: | | |
| PRC Enterprise Income Tax ("**EIT**") | **594** | (10) |
| Deferred tax credit (charge) | **879** | (17,589) |
| Taxation for the period | **1,473** | (17,599) |

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

PRC EIT is calculated at the rate prevailing in the relevant districts of the PRC and taking relevant tax incentives into account.

## 7. LOSS FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***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) | **2,348** | 28,816 |
| Less: Amount capitalised in inventories | **(2,348)** | (28,816) |
| | **–** | – |
| Depreciation of property, plant and equipment | **14,922** | 16,992 |
| Less: Amount capitalised in inventories | **(10,728)** | (12,328) |
| | **4,194** | 4,664 |
| Depreciation of right-of-use assets | **3,640** | 3,652 |
| Staff costs including directors' emoluments | **95,829** | 180,682 |
| Less: Amount capitalised in development costs | **–** | (3,542) |
| Less: Amount capitalised in inventories | **(17,821)** | (13,564) |
| | **78,008** | 163,576 |
| Cost of inventories recognised as an expense (included in cost of sales and services) | **245,002** | 267,306 |

## 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 both periods.

## 9. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share | **(50,407)** | (324,851) |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **2,156,895** | 2,206,191 |

The calculation of basic and diluted loss per share for the six months ended 30 June 2023 and 2022 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 2023 and 2022, 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.

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

## 10. TRADE AND NOTES RECEIVABLES

The normal credit period given on sale of goods and services relating to handsets and IOT terminals business is 0-90 days.

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:

| | **As at 30 June 2023** | As at 31 December 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (audited) |
| **Trade receivables** | | |
| 0 – 30 days | **29,899** | 35,399 |
| 31– 60 days | **8,863** | 7,746 |
| 61– 90 days | **836** | 1,894 |
| 91– 180 days | **858** | 814 |
| Over 180 days | **50,227** | 66,133 |
| | **90,683** | 111,986 |
| Less: Allowance for credit losses | **(34,435)** | (38,863) |
| | **56,248** | 73,123 |
| **Notes receivables** *(Note)* | | |
| 0 – 30 days | **7,304** | 994 |
| 31 – 60 days | **2,200** | 48 |
| 61 – 90 days | **165** | 818 |
| 91 – 180 days | **–** | 2,708 |
| Over 180 days | **–** | 112 |
| | **9,669** | 4,680 |
| Trade and notes receivables | **65,917** | 77,803 |

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

## 11. TRADE AND NOTES PAYABLES

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

| | **As at 30 June 2023** *HK$'000* **(unaudited)** | As at 31 December 2022 *HK$'000* (audited) |
|---|---|---|
| **Trade payables** | | |
| 0 – 30 days | **66,662** | 94,444 |
| 31– 60 days | **2,621** | 10,581 |
| 61– 90 days | **1,579** | 4,202 |
| Over 90 days | **18,968** | 13,116 |
| | **89,830** | 122,343 |
| **Notes payables** | | |
| 0 – 30 days | **23,351** | 34,817 |
| Trade and notes payables | **113,181** | 157,160 |

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to the shareholders of the Company ("**Shareholders**") for 1H-2023.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In 1H-2023, regarding the international global landscape, there was no significant improvement in the China–United States tension, and the Russian-Ukraine war continued to create serious headwinds for the global economy. Although the impact of the COVID-19 pandemic on the domestic economy and society of China has gradually receded, the export volume of Chinese enterprises has dropped drastically, with the investment of private enterprises being shrunk and the public becoming more cautious in consumption. Under such a harsh environment, the Group was not able to achieve rapid growth after the pandemic. In 1H-2023, the Group achieved a turnover of HK$297.8 million, which was 7.0% more than the same period last year, and gross profit of HK$52.8 million, which was 378.1% more than the same period last year, resulting in an overall loss attributable to owners of the Company of HK$50.4 million. Although both the Group's turnover and gross profit increased compared to the same period last year, they were still far below their pre-pandemic level. The decline in demand in both the domestic and overseas markets as well as the fierce price competition in the industry resulted in the sales volume and gross profit of the products falling far short of expectations. At present, although each project under the core business of the Group, namely the handsets and IOT terminals business, has made some gross profit to a different extent, the total turnover has remained at a low level due to the small number of deliveries made. The management has already optimized the Group's structure and controlled its expenses, but the current business scale makes it difficult to cover the fixed costs of the Group's back-office departments, and losses are therefore inevitable. Corporations making loss as a result of lack of orders and fierce price competition in the industry is a common situation in the current PRC manufacturing industry.

### Handsets and IOT terminals business

After the full relaxation of pandemic controls in the PRC in early 2023, the production and deliveries of the Group basically stopped in January and February. At the same time, the Group was still in the throes of its cost control reform, and downsizing was not yet completed, which resulted in a certain time lag in its cost control. Coupled with its slow recovery, this business recorded a significant loss in the first quarter. Although the situation improved in the second quarter, the business was still unable to achieve overall profitability in 1H-2023. The business achieved a turnover of HK$272.6 million for 1H-2023, which was 8.5% more than the same period last year, and a gross profit of HK$30.1 million, representing a significant increase over the gross loss of HK$13.8 million for the same period last year. Gross loss for 1H-2022 was incurred due to the prolonged closure of the plants out of the ongoing lockdown and control measures while bearing all fixed costs as usual.

Despite the year-on-year increase in both the sales and gross profit for 1H-2023, they fell far short of expectations. Firstly, against the global economic recession, the willingness of domestic and overseas customers to place orders had significantly reduced. Secondly, due to the international political factors, the Group's overseas business development encountered unprecedented difficulties, and it was inconvenient for overseas customers to come to China for business negotiations. As a result, the Group and its manufacturing peers were faced with the oversupply of goods and a shortage of demand in 1H-2023. Price competition in the market became increasingly fierce, resulting in not only a lack of orders but also a significant drop in the expected gross profit margins of products.

The management will continue to adhere to the handsets and IOT terminals business, being the core business and the foundation of the Group, and take proactive and effective measures to cope with the current decline in performance and intensified competition in the market. Leveraging its leading technologies accumulated in the relevant fields and its good reputation in the industry over the past two decades, the Group will strengthen product innovation to provide customers with more competitive products and continuously improve customer satisfaction. Against the backdrop of a shrinking business scale, it is even more important to stay focused, pay attention to the key points, and place great emphasis on technology platforms, market segments, major customers and flagship products. As we strive to open up new sources of income, we will not forget to cut down on expenses. Internally, we will further optimize the Group's structure and operation processes, so as to achieve duplicated use of personnel, reduction in costs and increase in efficiency. However, for this business unit, it is of utmost importance to open up new sources of income and increase turnover as soon as possible. Only by expanding turnover will it be possible to apportion the Group's and the departments' fixed costs.

**Property management**

In 1H-2023, 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 109,000 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-2023 amounted to HK$25.1 million (1H-2022: HK$27.0 million) with a gross profit margin of 90.2% (1H-2022: 92.2%).

**Prospects**

Looking back at 1H-2023, although the Group's loss narrowed as compared with same period last year, the macroeconomic situation for the second half of the year remains very challenging and the road ahead will continue to be difficult. While the relocation of the Qingpu Plant (as defined below) will be gradually completed in the second half of the year and the merger of the two plants will allow further control of costs, the Group will not be able to rapidly increase its sales in the short term and the loss from its core business is likely to persist in the second half of the year.

The management believes that these difficulties are only temporary, and the economic environment will definitely improve. In the future, the management will continue to strengthen the exploration of new businesses, new operating models and new management structures, so as to ensure the early recovery of the Group's business and turn losses into profits.

## FINANCIAL REVIEW

For 1H-2023, the revenue of the Group was HK$297.8 million (1H-2022: HK$278.3 million), in which the revenue from the handsets and IOT terminals business, which is the core business of the Group, increased by 8.5% to HK$272.6 million (1H-2022: HK$251.3 million) as compared with that of 1H-2022. In 1H-2023, the revenue from property management, which is the non-core business of the Group, decreased by 6.9% to HK$25.1 million (1H-2022: HK$27.0 million) as compared with that in 1H-2022.

The gross profit for 1H-2023 for the handsets and IOT terminal business of the Group was HK$30.1 million (1H-2022: gross loss HK$13.8 million). The gross profit margin for the handsets and IOT terminal business was 11.0% (1H-2022: gross loss margin 5.5%) and the gross profit margin for property management decreased to 90.2% (1H-2022: 92.2%). The overall gross profit margin of the Group for 1H-2023 increased to 17.7% (1H-2022: 4.0%).

The Group recorded a loss attributable to owners of the Company of HK$50.4 million (1H-2022: HK$324.9 million). The basic loss per share for 1H-2023 was HK2.3 cents (1H-2022: HK14.7 cents). Such decrease in loss was mainly attributable to the following factors:

(i) in an attempt to reduce the Group's staff cost, since the fourth quarter of the year 2022, the Board had begun to reorganize the top management team, remove the impractical structure of the Group, restore the divisional organization, shut down loss-marking departments through lay-off, merging departments and downsizing. As a result, there was a considerable reduction in the Group's research and development expenses, selling and distribution costs and administrative expenses in 1H-2023; and

(ii) the Board concluded in 1H-2022 that there was indication of impairment in the long-term assets of the handsets and IOT terminal business. Impairment loss on the relevant intangible assets, properties, plants and equipment and right-of-use assets relating to the handsets and IOT terminals business of around HK$76.9 million were made in 1H-2022 after conducting impairment assessment on these assets. No relevant impairment loss was made in 1H-2023 which also caused the significant decrease in loss in 1H-2023.

**Segment results of core business**

| | Six months ended 30 June 2023 | | | Six months ended 30 June 2022 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Gross profit** | **Gross profit margin** | Revenue | Gross loss | Gross loss margin |
| | ***HK$'M*** | ***HK$'M*** | ***%*** | *HK$'M* | *HK$'M* | *%* |
| Handsets and IOT terminals business | **272.6** | **30.1** | **11.0** | 251.3 | (13.8) | (5.5) |
| Total | **272.6** | **30.1** | **11.0** | 251.3 | (13.8) | (5.5) |

**Handsets and IOT terminals business**

The revenue of this segment for 1H-2023 increased by 8.5% to HK$272.6 million (1H-2022: HK$251.3 million) as compared to that of 1H-2022. The gross profit margin of this segment was 11.0% in 1H-2023 (1H-2022: gross loss margin 5.5%). Gross loss for 1H-2022 was incurred due to the prolonged closure of the plants out of the ongoing lockdown and control measures while bearing all fixed costs as usual. After the full reopening of borders of the PRC in early 2023, although the business's recovery progress had been slow, the gross profit margin had already turned from negative to positive. The revenue of ODM business accounted for approximately 92% of the revenue of this segment in 1H-2023 (1H-2022: 89%).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

**Liquidity**

As at 30 June 2023, the Group had bank balances and cash of HK$97.2 million (31 December 2022: HK$191.8 million), of which 6.4% was held in US dollars, 93.3% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term deposits of HK$245.2 million (31 December 2022: HK$168.1 million) among which 86.5% was held in US dollars and 13.5% was held in Renminbi. As at 30 June 2023, the Group also had pledged bank deposits of HK$119.1 million (31 December 2022: HK$165.8 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$178.8 million as at 30 June 2023 (31 December 2022: HK$240.2 million), all of which were denominated in Renminbi. 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 handsets and IOT terminals business is presented below:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***Days*** | *Days* |
| Inventory turnover period | **117** | 118 |
| Trade and notes receivables turnover period | **44** | 50 |
| Trade and notes payables turnover period | **127** | 148 |

The inventory turnover period remained relatively stable in 1H-2023 and year 2022.

As affected by the COVID-19 pandemic, the repayment schedules of certain accounts receivable and accounts payable in year 2022 were delayed as compared to those of 1H-2023. As a result, the trade and notes receivables turnover period and trade and notes payables turnover period for 1H-2023 decreased as compared to those of year 2022.

As at 30 June 2023, the current ratio, calculated as current assets (excluding assets held for disposal) over current liabilities, was 1.6 times (31 December 2022: 1.5 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-2023, 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.

**Capital structure**

As at 30 June 2023, the Company had 2,198,525,300 ordinary shares of HK$0.10 each in issue.

No shares of the Company were issued during 1H-2023.

## GEARING RATIO

As at 30 June 2023, the total assets of the Group were HK$1,849.0 million (31 December 2022: HK$2,053.9 million) and the bank borrowings were HK$178.8 million (31 December 2022: HK$240.2 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 9.7% (31 December 2022: 11.7%). The bank borrowings were mainly composed of discounted bills of HK$140,250,000. The Group earns interest spreads on bank deposits by discounted bills.

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.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 1H-2023, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

## FUTURE PLANS FOR MATERIAL INVESTMENT

During 1H-2023, the Group did not have any future plans for material investment or capital assets.

## SIGNIFICANT INVESTMENT

As at 30 June 2023, the Group did not have any significant investment.

## CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

## EMPLOYEES

As at 30 June 2023, the Group had approximately 824 (31 December 2022: 1,088) 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 1H-2023, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## EVENT AFTER THE REPORTING PERIOD

In July 2023, Shanghai Sunrise Simcom Limited ("**SH Sunrise**"), an indirect wholly-owned subsidiary of the Company, entered into a land resumption agreement ("**Agreement**") with the PRC Government in respect of the resumption ("**Land Resumption**") of the land use rights of the piece of land owned by it in Qingpu, Shanghai together with all buildings, structures and attachments thereat ("**Qingpu Plant**"). As at 30 June 2023, the properties of SH Sunrise, including certain property, plant and equipment, right-of-use assets and investment properties with carrying amounts of HK$49,787,000, HK$4,079,000 and HK$147,004,000 respectively which were classified as assets held for disposal, are presented separately in the condensed consolidated statement of financial position of the Company. Pursuant to the Agreement, the compensation payable to SH Sunrise for the Land Resumption comprises of three parts. The first part and second part are compensation of RMB374,435,165 and RMB255,919,316, respectively. The third part is an incentive for SH Sunrise to relocate on schedule. If SH Sunrise and all the tenants complete the relocation within 180 days after the effective date of Agreement SH Sunrise will be awarded an additional incentive of RMB118,470,547. The aforesaid three parts of compensation in aggregate amount to RMB748,825,028 which are payable to SH Sunrise upon the completion of the Land Resumption. The Group has recognised the expenses on the Land Resumption of HK$29,503,000 in profit or loss for the six months ended 30 June 2023. As at 30 June 2023, the provisions for anticipated expenditure on the Land Resumption related to the compensation for all tenants is HK$15,263,000.

More details of the Land Resumption were disclosed in the announcement of the Company dated 10 July 2023.

Save as disclosed above, there have been no significant events of the Group occurred since the end of 1H-2023.

## CORPORATE GOVERNANCE CODE

According to code provision C.2.1 of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Rules ("**Listing Rules**") Governing the Listing of Securities on the Stock Exchange, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. On 30 September 2022, Mr. Gao Jun resigned as an executive Director and the chief executive officer of the Group ("**CEO**"). Ever since the resignation of Mr. Gao Jun, the Company has not been able to identify a suitable candidate for the position of the CEO and the office of the CEO therefore remains vacant. This constitutes a deviation from code provision C.2.1.

However, a management team which takes up the roles and duties of the CEO has been set up by the Group since Mr. Gao Jun's resignation. The team comprises five members, including three executive Directors, namely Mr. Wong Cho Tung, Mr. Liu Jun and Mr. Zhu Wenhui, and two members of the management of the Company, namely Mr. Zhu Qi (the chief operating officer of the Group) and Mr. Yang Hanjie (the chief marketing officer of the Group). In light of the above, even though the Company has not been able to appoint an individual to take up the role of the CEO since Mr. Gao Jun's resignation, the Board considers that such a deviation from code provision C.2.1 of the Corporate Governance Code is appropriate under such circumstances.

Save as disclosed above, 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-2023.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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-2023.

## AUDIT COMMITTEE

The audit committee of the Board ("**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-2023. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2023 has been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has been published on the respective websites of the Company (www.sim.com) and the Stock Exchange (www.hkexnews.hk). The 2023 interim report will be dispatched to the Shareholders and available on the above websites in due course.

## 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 contributions throughout the reporting period.

## DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Wong Cho Tung, Ms. Yeung Man Ying, Mr. Liu Jun and Mr. Zhu Wenhui, the non-executive Director is Mr. Wong Hei, Simon and the independent non-executive Directors are Mr. Liu Hing Hung, Mr. Wu Zhe and Mr. Li Minbo.

By Order of the Board
**SIM Technology Group Limited**
**Wong Cho Tung**
*Chairman*

*This announcement contains certain forward-looking statements. The words "intend", "expect", "anticipate", "is confident", and similar expressions are intended to identify forward-looking statements. These statements are not historical facts or guarantees of future performance. Actual results could differ materially from those expressed, implied or forecasted in such forward-looking statements. Such forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Directors and management of the Company about the business, the industry and the market in which the Group operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.*

25 August 2023

* *For identification purposes only*