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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 2024

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 2024 (“**1H-2024**”) together with the comparative figures for the six months ended 30 June 2023 (“**1H-2023**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

	Notes	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Revenue	3	183,678	297,754
Cost of sales and services		<u>(145,398)</u>	<u>(245,002)</u>
Gross profit		38,280	52,752
Other income	5	27,390	38,057
Other gains and losses	5	(53,670)	(29,899)
Reversal of impairment losses (impairment losses) under expected credit model, net		1,300	(672)
Research and development expenses		(59,942)	(63,913)
Selling and distribution costs		(9,372)	(10,943)
Administrative expenses		(33,797)	(34,093)
Share of results of associates		56	(1,168)
Finance costs		<u>(1,053)</u>	<u>(1,933)</u>

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation		(90,808)	(51,812)
Taxation	6	<u>770</u>	<u>1,473</u>
Loss for the period		<u>(90,038)</u>	<u>(50,339)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(82,257)	(50,407)
Non-controlling interests		<u>(7,781)</u>	<u>68</u>
		<u>(90,038)</u>	<u>(50,339)</u>
Loss per share (HK cents)			
Basic	9	<u>(3.8)</u>	<u>(2.3)</u>
Diluted		<u>(3.8)</u>	<u>(2.3)</u>

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Loss for the period	(90,038)	(50,339)
Other comprehensive income (expense) for the period:		
Item that may be subsequently reclassified to profit or loss for the period:		
Reclassification of cumulative translation reserve upon deregistration of foreign operations	30,764	–
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	357	979
Fair value loss on investment in equity instrument at fair value through other comprehensive income, net of deferred tax	(5,779)	(310)
Exchange difference arising on translation to presentation currency	(4,561)	(22,896)
Other comprehensive income (expense) for the period	20,781	(22,227)
Total comprehensive expense for the period	(69,257)	(72,566)
Total comprehensive (expense) income attributable to:		
Owners of the Company	(61,476)	(72,634)
Non-controlling interests	(7,781)	68
	(69,257)	(72,566)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
Non-current assets			
Investment properties		619,805	640,111
Property, plant and equipment		44,075	56,243
Right-of-use assets		17,023	17,482
Intangible assets		165	553
Interests in associates		46,672	46,616
Equity instruments at fair value through other comprehensive income (“FVTOCI”)		60,425	68,130
		788,165	829,135
Current assets			
Inventories		59,056	86,323
Properties held for sale		469	469
Trade and notes receivables	10	81,779	82,440
Other receivables, deposits and prepayments		84,740	360,807
Amount due from an associate		251	–
Financial assets at fair value through profit or loss (“FVTPL”)		291	468
Pledged bank deposits		22,000	22,000
Short-term bank deposits		632,025	693,679
Bank balances and cash		244,953	74,219
		1,125,564	1,320,405
Current liabilities			
Trade and notes payables	11	60,337	77,920
Contract liabilities		94,392	80,065
Deposits from tenants		3,822	3,620
Deferred income		1,116	1,116
Other payables and accruals		63,924	75,084
Bank borrowings		–	33,000
Lease liabilities		2,663	2,509
Tax payables		105,644	122,083
		331,898	395,397
Net current assets		793,666	925,008
Total assets less current liabilities		1,581,831	1,754,143

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Capital and reserves		
Share capital	214,335	214,335
Reserves	<u>1,267,219</u>	<u>1,405,591</u>
Equity attributable to owners of the Company	1,481,554	1,619,926
Non-controlling interests	<u>(17,352)</u>	<u>(733)</u>
Total equity	<u>1,464,202</u>	<u>1,619,193</u>
Non-current liabilities		
Deposits from tenants	6,124	6,078
Lease liabilities	659	2,194
Deferred tax liabilities	82,891	89,976
Deferred income	<u>27,955</u>	<u>36,702</u>
	<u>117,629</u>	<u>134,950</u>
	<u>1,581,831</u>	<u>1,754,143</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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, automotive intelligent products 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 D2 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.

Other than change in 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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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 Group’s annual periods beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim 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.

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2024 (unaudited)

	Handsets and IOT terminals business <i>HK\$'000</i>	Automotive intelligent products business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services				
Sale of handsets and IOT terminals	156,346	–	–	156,346
Sale of automotive intelligent products	–	5,103	–	5,103
	156,346	5,103	–	161,449
Property rental	–	–	22,229	22,229
Total	<u>156,346</u>	<u>5,103</u>	<u>22,229</u>	<u>183,678</u>

Revenue from contracts with customers and timing of revenue recognition

A point in time	155,714	5,103	N/A
Over time	632	–	N/A
Total	<u>156,346</u>	<u>5,103</u>	<u>N/A</u>

For the six months ended 30 June 2023 (unaudited)

	Handsets and IOT terminals business <i>HK\$'000</i>	Automotive intelligent products business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services				
Sale of handsets and IOT terminals	272,627	–	–	272,627
Property rental	–	–	25,127	25,127
Total	<u>272,627</u>	<u>–</u>	<u>25,127</u>	<u>297,754</u>

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	<u>272,627</u>	<u>–</u>	<u>N/A</u>

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 ("CODM"), being the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

To cope with the Group's recent business development in automotive intelligent products, the information reported to the CODM included a new segment, automotive intelligent products business, during the six months ended 30 June 2024. Accordingly, each of these segments is considered as a separate operating segment by the CODM, resulting in changes to the presentation of the Group's operating and reportable segments on the Group's segment results and the Group's segment assets and liabilities. Figures in the segment information for the six months ended 30 June 2023 and as at 31 December 2023 have been re-presented for comparative purpose.

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

For the six months ended 30 June 2024 (unaudited)

	Handsets and IOT terminals business <i>HK\$'000</i>	Automotive intelligent products business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>156,346</u>	<u>5,103</u>	<u>22,229</u>	<u>183,678</u>
Segment loss	<u>(37,436)</u>	<u>(25,254)</u>	<u>(6,824)</u>	(69,514)
Other income and other gains and losses – unallocated				(15,599)
Share of results of associates				56
Corporate expenses				(4,698)
Finance costs				<u>(1,053)</u>
Loss before taxation				<u>(90,808)</u>

For the six months ended 30 June 2023 (unaudited)

	Handsets and IOT terminals business <i>HK\$'000</i>	Automotive intelligent products business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	272,627	–	25,127	297,754
Segment (loss) profit	(39,299)	(5,752)	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)

Segment result represents the financial result by each segment without allocation of interest income, dividend income, unallocated foreign exchange gain (loss), net gain or loss on financial assets at FVTPL, 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 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Segment assets		
Handsets and IOT terminals business	250,486	268,482
Automotive intelligent products business	4,138	20,064
Property management	619,805	640,111
Total reportable segment assets	874,429	928,657
Unallocated assets	1,039,300	1,220,883
Total assets	1,913,729	2,149,540
Segment liabilities		
Handsets and IOT terminals business	200,740	270,153
Automotive intelligent products business	2,841	991
Property management	10,142	11,405
Total reportable segment liabilities	213,723	282,549
Unallocated liabilities	235,804	247,798
Total liabilities	449,527	530,347

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, 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other income		
Refund of Value Added Tax (“VAT”) (<i>Note i</i>)	1,010	678
Government grants (<i>Note ii</i>)	9,806	19,615
Bank interest income	15,389	8,485
Dividend income	–	7,273
Others	1,185	2,006
	<u>27,390</u>	<u>38,057</u>
Other gains and losses		
Loss on disposal of property, plant and equipment	(4,173)	(361)
Net foreign exchange gain	4,367	3,868
Changes in fair values of investment properties	(21,120)	(275)
Expenses on land resumption	(1,567)	(29,503)
Loss on deregistration of subsidiaries (<i>Note iii</i>)	(30,764)	–
Loss on disposal of an associate	–	(1,581)
Donation	(236)	(1,472)
Net loss arising on financial assets measured at FVTPL	(177)	(648)
Others	–	73
	<u>(53,670)</u>	<u>(29,899)</u>

Notes:

- (i) Shanghai Simcom Limited, a subsidiary of the Company, is 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, it is 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 current interim period, the amount includes HK\$1,059,000 (six months ended 30 June 2023: HK\$1,077,000) unconditional government grants received which was granted to encourage the Group’s research and development activities in the PRC.

As at 30 June 2024, an amount of HK\$29,072,000 (31 December 2023: HK\$37,818,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).

(iii) During the current interim period, Shanghai Wide-Top Financial Leasing Co., Ltd. and Guangdong Sim Technology Co., Limited, both of whom were wholly-owned subsidiaries of the Company in the PRC, were deregistered. A reclassification of cumulative translation reserve upon deregistration of amount of HK\$30,764,000 has been recognised to profit and loss.

6. TAXATION

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Taxation comprises:		
PRC Enterprise Income Tax ("EIT")	3,154	1,282
Under-provision in prior years	<u>(7,545)</u>	<u>(688)</u>
	(4,391)	594
Deferred tax credit	<u>5,161</u>	<u>879</u>
Taxation for the period	<u>770</u>	<u>1,473</u>

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	
	2024	2023
	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)	1,018	2,348
Less: Amount capitalised in inventories	(1,018)	(2,348)
	<u>–</u>	<u>–</u>
Depreciation of property, plant and equipment	10,350	14,922
Less: Amount capitalised in inventories	(5,098)	(10,728)
	<u>5,252</u>	<u>4,194</u>
Depreciation of right-of-use assets	1,208	3,640
Staff costs including directors' emoluments	56,622	95,829
Less: Amount capitalised in inventories	(5,187)	(17,821)
	<u>51,435</u>	<u>78,008</u>
Costs of inventories recognised as an expense (included in cost of sales and services)	<u>145,398</u>	<u>245,002</u>

8. DIVIDENDS

At the board meeting held on 26 March 2024, the Directors proposed a special dividend of HK4 cents per ordinary share, in an aggregate amount of HK\$85,734,000 for the year ended 31 December 2023. The proposed dividend was paid 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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(82,257)</u>	<u>(50,407)</u>
	Six months ended 30 June	
	2024	2023
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,142,207</u>	<u>2,156,895</u>

For the six months ended 30 June 2024 and 2023, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise would result in antidilutive effect on 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 and automotive intelligent products 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 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Trade receivables		
0 – 30 days	52,154	27,821
31– 60 days	5,218	19,474
61– 90 days	6	747
91– 180 days	–	641
Over 180 days	<u>28,594</u>	<u>38,237</u>
	85,972	86,920
Less: Allowance for credit losses	<u>(28,579)</u>	<u>(38,297)</u>
	<u>57,393</u>	<u>48,623</u>
Notes receivables (Note)		
0 – 30 days	12,060	13,135
31 – 60 days	4,809	12,559
61 – 90 days	7,429	469
91 – 180 days	<u>88</u>	<u>7,654</u>
	<u>24,386</u>	<u>33,817</u>
Trade and notes receivables	<u><u>81,779</u></u>	<u><u>82,440</u></u>

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 2024 <i>HK\$'000</i> (unaudited)	As at 31 December 2023 <i>HK\$'000</i> (audited)
Trade payables		
0 – 30 days	46,755	57,278
31– 60 days	1,717	1,700
61– 90 days	356	290
Over 90 days	<u>11,209</u>	<u>11,931</u>
	<u>60,037</u>	<u>71,199</u>
Notes payables		
0 – 30 days	<u>300</u>	<u>6,721</u>
Trade and notes payables	<u><u>60,337</u></u>	<u><u>77,920</u></u>

SPECIAL DIVIDEND AND INTERIM DIVIDEND

At its meeting on Tuesday, 26 March 2024, the Board resolved to declare a special dividend of HK4 cents per share, amounting to approximately HK\$85.7 million in total. The special dividend was paid during 1H-2024.

The Board does not recommend the payment of interim dividend to the shareholders of the Company (“**Shareholders**”) for 1H-2024.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 1H-2024, the competition in the industry in which the Group operates intensified. As a result, some enterprises closed down or transformed, which had a huge impact on the entire industry chain and the employment market. Affected by the Sino-US trade war, not only did the export businesses of the Group’s main customers shrink significantly, the Group also found it difficult to develop new businesses and source new customers overseas. The development of new projects was not satisfactory, the order volume in 1H-2024, especially export orders, declined significantly, and the turnover and gross profit both declined year-on-year. In 1H-2024, the Group achieved a turnover of HK\$183.7 million, representing a decrease of 38.3% as compared to the same period last year, and gross profit of HK\$38.3 million, representing a decrease of 27.4% as compared to the same period last year. The decrease in gross profit coupled with the loss caused by issues such as the sale of raw materials left over from the past made the situation even worse, resulting in a total loss of HK\$37.4 million for the handsets and IOT terminals segment in 1H-2024. The automotive intelligent products business engaged in by Shanghai Zhenkang Electronics Limited (上海蓁康電子有限公司) (“**Shanghai Zhenkang**”), which became a non-wholly-owned subsidiary of the Company through acquisition last year, recorded a loss of HK\$25.3 million as it was still in its investment stage and had not capitalized R&D expenses.

In addition to the operating loss arising from the two core businesses, the fair value loss of the property management business and the foreign exchange loss caused by exchange rate fluctuations also had a significant impact on the profit and loss for the current period. Based on the judgment of the future rental market and the actual leases of the Group, the valuer assessed fair value loss of approximately HK\$21.1 million on investment properties of the Group, and such loss was directly accounted for in the current profit or loss.

The exchange rate of RMB against US dollar continued to depreciate in recent years, from approximately US\$1 to RMB6.2 to approximately US\$1 to RMB7.3. The capital injected by the Group in US dollars from offshore holding companies to subsidiaries in the PRC at the early stage was also affected and incurred comparatively high foreign exchange loss. With the completion of the procedures relating to the deregistration of Shanghai Wide-Top Financial Leasing Co., Ltd. and Guangdong SIM Technology Co., Ltd. in the 1H-2024, the capital was exchanged from RMB to US dollars and remitted back to offshore holding companies, resulting in a foreign exchange loss of approximately HK\$30.8 million, which was accounted for in the profit or loss for the current period (being the reclassification of cumulative translation reserve upon deregistration, which did not affect the equity).

Due to the loss of the core businesses together with the impact of asset impairment and foreign exchange loss, the Group incurred a total loss attributable to owners of the Company of HK\$82.3 million in 1H-2024, more than half of which was incurred from the clearance of historical businesses or companies.

Handsets and IOT terminals business

The business achieved a turnover of HK\$156.3 million for 1H-2024, representing a decrease of 42.7% as compared with the same period last year, and a gross profit of HK\$16.8 million, representing a decrease of 44.1% as compared with the same period last year. The segment recorded a loss of HK\$37.4 million.

As affected by the international trade war, the expansion of overseas business was difficult, and overseas orders were greatly reduced. Secondly, the Group and other domestic manufacturers were faced with the situation of oversupply and shortage of demand. Price competition in the market became increasingly fierce. Therefore, the biggest challenge of the segment was that the business volume was far from sufficient, with the turnover hovering at a low level during the reporting period and the gross profit falling short of the expenditure of the existing scale of the team. At the same time, the management addressed the historical issues through business reorganization and downsizing, personnel optimization, disposal of inventories and other means, resulting in a loss of approximately HK\$19.0 million during the reporting period. The historical issues are expected to have a certain impact on the results for subsequent periods, but the amount and impact will become smaller and smaller.

At present, broadening the source of income and saving on expenditure are the focuses of this business. On one hand, the management of the Group will continue to adhere to the reform strategy adopted over the past two years, streamline the team and structure, and align expenses with the business scale by reducing costs and increasing efficiency. On the other hand, the management will put more efforts in boosting the sales and expanding business opportunities, especially the markets and opportunities for overseas businesses.

Automotive intelligent products business

In IH-2023, the Group became the controlling shareholder of Shanghai Zhenkang and deeply entered the automotive intelligent products industry. After a year of unremitting efforts, Shanghai Zhenkang has become a first-tier supplier in the automotive industry, and the related product development has also entered into a critical stage. As the sub-segment in which the Group currently operates is in-vehicle infotainment with the highest entry barriers in the automotive electronics industry, complex product structure and high technical threshold, the R&D involves a huge amount of investment. As the R&D investment for this sub-segment had not been capitalized, loss of approximately HK\$25.3 million was recorded during the reporting period. Shanghai Zhenkang has obtained a series of stringent product certifications from automakers as scheduled and is about to reach mass production, which is expected to bring continuous returns to the Group in the second half of the year and the next two years.

Property management

In 1H-2024, 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 Shenyang, and commercial properties in Shenyang. A total area of approximately 76,000 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-2024 amounted to HK\$22.2 million (1H-2023: HK\$25.1 million) with a gross profit margin of 90.3% (1H-2023: 90.2%). In July 2023, Shanghai Sunrise Simcom Limited (“**SH Sunrise**”), an indirect wholly-owned subsidiary of the Company, entered into a land resumption agreement with the local government in respect of the resumption (“**Land Resumption**”) of the land use rights of a piece of land owned by SH Sunrise in Qingpu, Shanghai together with all buildings, structures and attachments thereat (“**Qingpu Plant**”). The Land Resumption was completed in 2023 and all the tenants of the Qingpu Plant received appropriate compensation and were relocated. As a result of the Land Resumption, the total leased out area reduced from approximately 108,000 square meters to approximately 76,000 square meters and revenue decreased in 1H-2024 as compared with 1H-2023.

Prospects

In the second half of 2024, the Group will face both challenges and opportunities. For the handsets and IOT terminals business, the Group will continue to optimize its existing product lines, focus on those advantageous products with core competitiveness, identify high-quality customers using advantageous products, convert advantageous products into customer orders, and continuously improve the added value of products and user experience through technological innovation and service upgrades, so as to consolidate and deepen the cooperative relationship with quality customers.

In the second half of the year, the automotive intelligent products business will achieve mass production. In addition to the implementation of new projects as soon as possible, the focus of the existing projects has shifted from R&D to guaranteed quality and guaranteed delivery. The Group will focus its efforts on passing this test by strictly following its consistent quality-first philosophy, establish a good reputation in the industry, continuously increase market share and business opportunities, and bring reasonable returns to the Group in the coming years.

The Group will continue to conduct in-depth exploration of some new businesses and business models. In the future, the management will continue to follow the route of pragmatic and steady development in order to create value for the Group and benefits for the Shareholders.

FINANCIAL REVIEW

For 1H-2024, the revenue of the Group was HK\$183.7 million (1H-2023: HK\$297.8 million), in which the revenue from handsets and IOT terminals business and automotive intelligent products business (together, “**Core Business**”) decreased by 40.8% to HK\$161.4 million (1H-2023: HK\$272.6 million)

as compared with that of 1H-2023. In 1H-2024, the revenue from property management (“**Non-core Business**”) decreased by 11.5% to HK\$22.2 million (1H-2023: HK\$25.1 million) as compared with that in 1H-2023.

The gross profit for 1H-2024 for the Core Business of the Group was HK\$18.2 million (1H-2023: HK\$30.1 million). The gross profit margin for the Core Business was 11.3% (1H-2023: 11.0%) and the gross profit margin for the Non-core Business increased to 90.3% (1H-2023: 90.2%). The overall gross profit margin of the Group for 1H-2024 increased to 20.8% (1H-2023: 17.7%).

Due to the fair value loss of the property management business and the foreign exchange loss caused by exchange rate fluctuations which had a significant impact on the profit and loss for 1H-2024, the Group recorded a loss attributable to owners of the Company of HK\$82.3 million (1H-2023: HK\$50.4 million). The basic loss per share for 1H-2024 was HK3.8 cents (1H-2023: HK2.3 cents).

Segment results of Core Business

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %
Handsets and IOT terminals business	156.3	16.8	10.8	272.6	30.1	11.0
Automotive intelligent products business	5.1	1.4	26.9	–	–	–
Total	<u>161.4</u>	<u>18.2</u>	<u>11.3</u>	<u>272.6</u>	<u>30.1</u>	<u>11.0</u>

Handsets and IOT terminals business

As affected by the international trade war, the expansion of overseas business was difficult, and overseas orders were greatly reduced. In addition, the Group and other domestic manufacturers were faced with the situation of oversupply and shortage of demand. Price competition in the market became increasingly fierce. The revenue of this segment for 1H-2024 decreased by 42.7% to HK\$156.3 million (1H-2023: HK\$272.6 million) as compared to that of 1H-2023. The gross profit margin of this segment was 10.8% in 1H-2024 (1H-2023: 11.0%). Therefore, the revenue for 1H-2024 decreased significantly as compared to that of 1H-2023. The revenue of ODM business accounted for approximately 91% of the revenue of this segment in 1H-2024 (1H-2023: 92%).

Automotive intelligent products business

The automotive intelligent products business engaged in by Shanghai Zhenkang, which became a non-wholly-owned subsidiary of the Company through acquisition last year, become a new business segment of the Group in 1H-2024.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2024, the Group had bank balances and cash of HK\$245.0 million (31 December 2023: HK\$74.2 million), of which 1.1% was held in US dollars, 9.6% was held in Japanese dollars, 89.1% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term bank deposits of HK\$632.0 million (31 December 2023: \$693.7 million) among which 72.0% was held in US dollars and 28.0% was held in Renminbi. As at 30 June 2024, the Group also had pledged bank deposits of HK\$22.0 million (31 December 2023: HK\$22.0 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 Group did not have any bank borrowings as at 30 June 2024 (31 December 2023: HK\$33.0 million).

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 2024	31 December 2023
	Days	Days
Inventory turnover period	94	119
Trade and notes receivables turnover period	81	59
Trade and notes payables turnover period	98	123

In 1H-2024, the Group adopted the “just-in-time” supply mode and shifted to a demand-oriented “pull” production and distribution model so as to reduce the inventory level as much as possible. At the same time, sales management was enhanced, with more accurate forecast and response to customer demand, reducing the surplus or shortage caused by forecast deviations. As a result, the inventory turnover period in 1H-2024 significantly decreased as compared to that of year 2023.

In 1H-2024, due to intensified market competition, in order to maintain market share, the Group had to relax the credit policy for certain selected customers and appropriately extend the credit period. As a result, the trade and note receivables turnover period in 1H-2024 significantly increased as compared to that in 2023.

In 1H-2024, the Group's sales declined, and the procurement volume decreased correspondingly, causing the balance of trade and notes payables to decline. The Group implemented a restrictive procurement policy to reduce the generation of trade and notes payables. Therefore, the trade and notes payables turnover period in 1H-2024 significantly decreased as compared to that in 2023.

As at 30 June 2024, the current ratio, calculated as current assets over current liabilities, was 3.4 times (31 December 2023: 3.3 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group understand 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 understand 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-2024, 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 2024, the Company had 2,143,351,300 ordinary shares of HK\$0.10 each in issue and did not hold any treasury share.

No shares of the Company were issued during 1H-2024.

GEARING RATIO

As at 30 June 2024, the total assets of the Group were HK\$1,913.7 million (31 December 2023: HK\$2,149.5 million) and the bank borrowings were nil (31 December 2023: HK\$33.0 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 0% (31 December 2023: 1.5%).

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-2024, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENT

During 1H-2024, the Group did not have any future plans for material investment or capital assets.

SIGNIFICANT INVESTMENT

As at 30 June 2024, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 30 June 2024, the Group had approximately 573 (31 December 2023: 688) 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 adopted or to be adopted by the Company from time to time 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-2024, 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

There have been no significant events of the Group occurred since the end of 1H-2024.

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 C1 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. Zhu Wenhui and Mr. Zhu Qi, and two members of the management of the Company, namely Mr. Liu Jun (the chief technical officer of the Group) and Mr. Yang Hanjie (the chief marketing officer of the Group's operational headquarters in the PRC). 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 C1 to the Listing Rules for 1H-2024.

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 C3 to the Listing Rules as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all Directors, that each of them has fully complied with the required standard as set out in the Model Code during 1H-2024.

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-2024. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2024 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 2024 interim report will be 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. Zhu Wenhui and Mr. Zhu Qi, the non-executive Director is Mr. Wong Hei, Simon and the independent non-executive Directors are Mr. Liu Hing Hung, Mr. Li Minbo and Mr. Yang Wentao.

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.

27 August 2024

* *For identification purposes only*