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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

For the reasons explained below under “REVIEW OF UNAUDITED ANNUAL RESULTS”, the auditing process for the annual results of SIM Technology Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) has not been completed. In the meantime, the board (“**Board**”) of directors (“**Directors**”) of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2021 (“**Year**”) together with the comparative figures for the corresponding period in 2020 as follows:

#### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited) (restated)
<b>Continuing operations</b>			
Revenue	3	724,709	710,295
Cost of sales and services		<u>(703,207)</u>	<u>(598,971)</u>
Gross profit		21,502	111,324
Other income	5	47,597	33,101
Impairment losses under expected credit loss model, net of reversal		31,823	(6,937)
Other gains and losses	6	(5,929)	9,515
Research and development expenses		(178,692)	(64,154)
Selling and distribution costs		(38,504)	(25,292)
Administrative expenses		(132,081)	(87,593)
Share of results of associates		15,024	(497)
Finance costs	7	<u>(3,219)</u>	<u>(4,154)</u>

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
			<b>(restated)</b>
Loss before taxation		<b>(242,479)</b>	(34,687)
Taxation	8	<b>6,788</b>	6,971
Loss for the year from continuing operation	9	<b>(235,691)</b>	(27,716)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		<b>(9,831)</b>	(19,477)
Loss for the year		<b>(245,522)</b>	(47,193)
Loss attributable to the owners of the Company			
From continuing operations		<b>(236,555)</b>	(21,181)
From discontinued operations		<b>(9,245)</b>	(17,142)
		<b>(245,800)</b>	(38,323)
Profit (loss) attributable to non-controlling interests			
From continuing operations		<b>864</b>	(6,535)
From discontinued operations		<b>(586)</b>	(2,335)
		<b>278</b>	(8,870)
Total (loss) profit for the year attributable to:			
Owners of the Company		<b>(245,800)</b>	(38,323)
Non-controlling interests		<b>278</b>	(8,870)
		<b>(245,522)</b>	(47,193)
Loss per share (HK cents)	11		
From continuing and discontinued operations			
Basic		<b>(10.60)</b>	(1.61)
Diluted		<b>(10.60)</b>	(1.61)
From continuing operations			
Basic		<b>(10.21)</b>	(0.89)
Diluted		<b>(10.21)</b>	(0.89)

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
		<b>(restated)</b>
Loss for the year	<u><b>(245,522)</b></u>	<u>(47,193)</u>
Other comprehensive income (expense)		
Items that will not be subsequently reclassified to profit or loss during the year:		
Surplus on transfer of right-of-use assets, property, plant and equipment and properties held for sale to investment properties at fair value	<b>30,967</b>	40,642
Fair value gain (loss) on investment in equity instrument at fair value through other comprehensive income	<b>1,932</b>	(315)
Deferred tax relating to items that will not be reclassified to profit or loss	<b>(7,940)</b>	(9,329)
Exchange difference arising on translation to presentation currency	<u><b>18,300</b></u>	<u>69,912</u>
Other comprehensive income	<u><b>43,259</b></u>	<u>100,910</u>
Total comprehensive (expense) income for the year	<u><b>(202,263)</b></u>	<u>53,717</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	<b>(203,935)</b>	59,191
Non-controlling interests	<u><b>1,672</b></u>	<u>(5,474)</u>
	<u><b>(202,263)</b></u>	<u>53,717</u>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Investment properties		<b>793,755</b>	718,572
Property, plant and equipment		<b>205,990</b>	234,451
Right-of-use assets		<b>44,802</b>	70,019
Intangible assets		<b>60,561</b>	66,455
Deferred tax assets		<b>68,824</b>	54,029
Interest in associates		<b>59,613</b>	32,548
Equity instruments at fair value through other comprehensive income ("FVTOCI")		<b>63,112</b>	12,382
Other receivables		–	6,600
Consideration receivables		<b>34,443</b>	3,600
		<b>1,331,100</b>	1,198,656
<b>Current assets</b>			
Inventories		<b>244,761</b>	219,575
Properties held for sale		<b>9,613</b>	9,601
Trade and notes receivables	<i>12</i>	<b>98,244</b>	116,138
Other receivables, deposits and prepayments		<b>159,980</b>	240,232
Consideration receivables		<b>23,214</b>	26,832
Amounts due from associates		<b>20,485</b>	17,161
Amounts due from non-controlling shareholders of subsidiaries		–	4,248
Financial assets at fair value through profit or loss ("FVTPL")		<b>4,152</b>	13,784
Pledged bank deposits		<b>16,145</b>	5,857
Short-term bank deposits		<b>353,177</b>	281,617
Bank balances and cash		<b>322,309</b>	667,935
		<b>1,252,080</b>	1,602,980

		2021 <b>HK\$'000</b> (Unaudited)	2020 <b>HK\$'000</b> (Audited)
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and notes payables	13	218,852	199,504
Contract liabilities		126,412	129,615
Deposits from tenants		5,468	1,348
Other payables, deposits received, accruals and deferred income		49,323	36,282
Bank borrowings		41,851	36,000
Lease liabilities		6,019	8,764
Tax payable		37,311	36,606
		<u>485,236</u>	<u>448,119</u>
<b>Net current assets</b>		<u>766,844</u>	<u>1,154,861</u>
<b>Total assets less current liabilities</b>		<u><b>2,097,944</b></u>	<u><b>2,353,517</b></u>
<b>Capital and reserves</b>			
Share capital		227,977	236,254
Reserves		1,653,275	1,896,148
Equity attributable to owners of the Company		<u>1,881,252</u>	<u>2,132,402</u>
Non-controlling interests		<u>12,931</u>	<u>15,463</u>
<b>Total equity</b>		<u><b>1,894,183</b></u>	<u><b>2,147,865</b></u>
<b>Non-current liabilities</b>			
Deposits from tenants		7,620	15,797
Lease liabilities		8,554	25,075
Deferred tax liabilities		143,158	126,465
Deferred income		44,429	38,315
		<u>203,761</u>	<u>205,652</u>
		<u><b>2,097,944</b></u>	<u><b>2,353,517</b></u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of handsets and internet of things (IOT) terminals business, electronics manufacturing services (EMS) business and property management in the People’s Republic of China (“PRC”).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting periods. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (“IASB”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions* beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Impact on application of amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 Leases (“IFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior years.

## New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

### 3. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

##### *Continuing operations*

Segments	For the year ended 31 December 2021 (unaudited)		
	Handsets and IOT terminals business HK\$'000	Electronics manufacturing services business HK\$'000	Property management HK\$'000
<b>Types of goods or services</b>			
Sale of handsets and IOT terminals	567,583	–	–
Electronics manufacturing services	–	95,145	–
Property rental	–	–	61,981
Total	<u>567,583</u>	<u>95,145</u>	<u>61,981</u>
<b>Timing of revenue recognition</b>			
At a point in time	567,583	–	N/A
Over time	–	95,145	N/A
Total	<u>567,583</u>	<u>95,145</u>	<u>N/A</u>

##### *Continuing operations*

Segments	For the year ended 31 December 2020 (audited)		
	Handsets and IOT terminals business HK\$'000	Electronics manufacturing services business HK\$'000	Property management HK\$'000
<b>Types of goods or services</b>			
Sale of handsets and IOT terminals	586,079	–	–
Electronics manufacturing services	–	74,928	–
Property rental	–	–	49,288
Total	<u>586,079</u>	<u>74,928</u>	<u>49,288</u>
<b>Timing of revenue recognition</b>			
At a point in time	586,079	–	N/A
Over time	–	74,928	N/A
Total	<u>586,079</u>	<u>74,928</u>	<u>N/A</u>



## Geographical markets

### *Continuing operations*

	For the year ended 31 December 2021 (unaudited)		
	Electronics		
	Handsets and IOT terminals business <i>HK\$'000</i>	manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>
The PRC	217,363	95,145	61,981
Europe	94,487	–	–
United States	97,517	–	–
Hong Kong	50,554	–	–
Other Asia countries	107,662	–	–
	<u>567,583</u>	<u>95,145</u>	<u>61,981</u>

### *Continuing operations*

	For the year ended 31 December 2020 (audited) (re-presented)		
	Electronics		
	Handsets and IOT terminals business <i>HK\$'000</i>	manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>
The PRC	237,377	74,928	49,288
Europe	40,774	–	–
United States	107,071	–	–
Hong Kong	19,627	–	–
Other Asia countries	181,230	–	–
	<u>586,079</u>	<u>74,928</u>	<u>49,288</u>

(ii) **Performance obligations for contracts with customers**

***Sale of handsets and IOT terminals and own-branded products manufacturing***

For the sale of handsets and IOT terminals and own-branded products manufacturing, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of usage, distribution and price to sell the goods, and has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0-90 days upon delivery. The Group typically receives a 30%-50% deposit before the sale of goods.

***Electronics manufacturing services***

The electronics manufacturing services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. The normal credit term is 0-15 days. The Group typically receives a 30%-50% deposit before the sale of goods.

(iii) **Transaction price allocated to the remaining performance obligation for contracts with customers**

All sale of handsets and IOT terminals, own-branded products manufacturing and electronics manufacturing services, are for periods of one year or less.

(iv) **Leases**

	<b>For the year ended 31 December 2021 HK\$'000 (Unaudited)</b>	For the year ended 31 December 2020 HK\$'000 (Audited)
For operating lease:		
Lease payments that are fixed	<b><u>61,981</u></b>	<u>49,288</u>

For the year ended 31 December 2021, the Group recognised approximately HK\$57,355,000 (2020: HK\$47,079,000) selling profit, being the difference between gross rental income and direct operating expenses, as a property lessor.

#### 4. SEGMENT INFORMATION

For the purposes of resource allocation and assessment of segment performance, information reported to the Executive Directors of the Company, being the chief operating decision makers (the “CODM”), focus on types of goods or services delivered or provided.

In the prior year, the Group was organised into four reportable and operating segments, being Handsets and internet of things terminals business (“Handsets and IOT terminals business”), Electronics manufacturing services business, Internet of things system and online-to-offline business (“IOT system and O2O business”) and Property management.

Upon the disposal of 98.7% equity interest of 上海雲灝貿易有限公司 (unofficial English name being Shanghai Yunhao Trading Limited) (“Shanghai Yunhao”) on 6 April 2021, the Group discontinued its IOT system and O2O business during the year ended 31 December 2021. The segment information reported does not include any amount for the discontinued operations. Prior year segment disclosures have been represented to conform with the current year’s presentation.

In the manner consistent with the way in which information is reported internally to the CODM for the purposes of resource allocation and performance assessment, the business activities of the Group are organised into the following operating segments:

- Handsets and IOT terminals business
- Electronics manufacturing services business; and
- Property management.

#### Segment revenue and results

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

*For the year ended 31 December 2021 (unaudited)*

#### Continuing operations

	Handsets and IOT terminals business <i>HK\$’000</i>	Electronics manufacturing services business <i>HK\$’000</i>	Property management <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Revenue				
External sales	<u>567,583</u>	<u>95,145</u>	<u>61,981</u>	<u>724,709</u>
Segment (loss) profit	<u>(302,061)</u>	<u>275</u>	<u>11,588</u>	<u>(290,198)</u>
Other income and other gains and losses				57,455
Share of results of associates				15,024
Corporate expenses				(21,541)
Finance costs				<u>(3,219)</u>
Loss before taxation				<u><u>(242,479)</u></u>

For the year ended 31 December 2020 (audited) (represented)

**Continuing operations**

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>586,079</u>	<u>74,928</u>	<u>49,288</u>	<u>710,295</u>
Segment (loss) profit	<u>(57,993)</u>	<u>613</u>	<u>10,186</u>	<u>(47,194)</u>
Other income and other gains and losses				32,563
Share of results of associates				(497)
Corporate expenses				(15,405)
Finance costs				<u>(4,154)</u>
Loss before taxation				<u><u>(34,687)</u></u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of interest income, unallocated exchange gain or loss, gain on disposal of property, plant and equipment, fair value change on financial assets at FVTPL, certain other income, corporate expenses, share of results of associates, finance costs and taxation (2020: without allocation of interest income, unallocated exchange gain or loss, loss on disposal of property, plant and equipment, fair value change on financial assets at FVTPL, certain other income, corporate expenses, share of results of associates, finance costs and taxation). This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## Segment assets and liabilities

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

*At 31 December 2021 (unaudited)*

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	641,264	80,138	817,259	1,538,661
Property, plant and equipment				34,605
Right-of-use assets				16,732
Deferred tax assets				68,824
Interests in associates				59,613
Equity instruments at FVTOCI				63,112
Financial assets at FVTPL				4,152
Properties held for sale				9,613
Amounts due from associates				20,485
Other receivables, deposits and prepayments				75,752
Pledged bank deposits				16,145
Short-term bank deposits				353,177
Bank balances and cash				322,309
Consolidated assets				<u>2,583,180</u>
Segment liabilities	365,467	50,744	39,149	455,360
Trade payables				6,097
Contract liabilities				451
Other payables and accruals				4,769
Bank borrowings				41,851
Tax payable				37,311
Deferred tax liabilities				143,158
Consolidated liabilities				<u>688,997</u>

**At 31 December 2020 (audited) (re-presented)**

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	599,594	152,980	762,683	1,515,257
Assets relating to discontinued operation				69,420
Property, plant and equipment				71,871
Right-of-use assets				24,096
Intangible assets				4,955
Deferred tax assets				54,029
Interests in associates				32,548
Equity instruments at FVTOCI				12,382
Financial assets at FVTPL				13,784
Properties held for sale				9,601
Trade and note receivables				6,892
Contract assets				5,488
Amount due from an associate				17,161
Amount due from non-controlling shareholder of subsidiaries				4,248
Other receivables, deposits and prepayments				4,495
Pledged bank deposits				5,857
Short-term bank deposits				281,617
Bank balances and cash				667,935
				<u>2,801,636</u>
Consolidated assets				
Segment liabilities	386,532	23,303	7,026	416,861
Liabilities relating to discontinued operation				8,408
Trade payables				16,745
Contract liabilities				1,457
Other payables and accruals				10,247
Bank borrowings				36,000
Tax payable				37,588
Deferred tax liabilities				126,465
				<u>653,771</u>
Consolidated liabilities				

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, pledged bank deposits, short-term bank deposits, bank balances and cash, interests in associates, equity instruments at FVTOCI, financial assets at FVTPL, deferred tax assets, certain other receivables, deposits and prepayments and amounts due from associates (2020: certain property, plant and equipment, certain right-of-use assets, pledged bank deposits, short-term bank deposits, bank balances and cash, interests in associates, equity instruments at FVTOCI, financial assets at FVTPL, deferred tax assets, certain other receivables, deposits and prepayments and amounts due from non-controlling shareholders of subsidiaries). Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments;
- other than liabilities specifically identified for reportable and operating segments on Property management, the remaining liabilities jointly consumed by reportable and operating segments are allocated between Handsets and IOT terminals business and Electronics manufacturing services business and corporate liabilities. Corporate liabilities include certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities (2020: certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities), and
- certain properties held for sale, trade payable, contract liabilities are unallocated since property development is no longer classify as reportable segment and the operations of IOT system and O2O business segment is discontinued during the year.

### Other segment information

For the year ended 31 December 2021 (unaudited)

	Handsets and IOT terminals business HK\$'000	Electronics manufacturing services business HK\$'000	Property management HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>Continuing operations</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	28,113	19,540	–	–	47,653
Additions of intangible assets	55,741	–	–	–	55,741
Depreciation of property, plant and equipment	26,109	7,463	3,173	2,793	39,538
Amortisation of intangible assets	44,012	–	–	–	44,012
Depreciation of right-of-use assets	11,045	–	1,123	140	12,308
Impairment losses on intangible assets	19,000	–	–	–	19,000
Impairment losses on trade receivables	2,000	–	–	–	2,000
Impairment losses on other receivables	–	–	–	1,200	1,200
Impairment losses on amount due from associates	–	–	–	800	800
Reversal of impairment losses on entrusted loan receivable previously recognised	–	–	–	(35,823)	(35,823)
Impairment losses on equity instrument at FVTOCI recognised in profit or loss	–	–	–	384	384
Write-off of trade receivables	4,884	–	–	–	4,884
Allowance of inventories	48,335	–	–	–	48,335
Loss on disposal of property, plant and equipment	221	–	–	–	221
Decrease in fair value of investment properties	–	–	3,028	–	3,028

**For the year ended 31 December 2020 (audited) (re-presented)**

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Continuing operations</b>					
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	4,525	7,812	–	105	12,442
Additions of intangible assets	51,875	–	–	–	51,875
Depreciation of property, plant and equipment	23,325	7,501	2,555	4,946	38,327
Amortisation of intangible assets	66,522	–	–	–	66,522
Depreciation of right-of-use assets	1,759	–	4,976	–	6,735
Impairment losses on trade receivables recognised in profit or loss	6,556	–	–	–	6,556
Impairment losses on intangible assets	19,000	–	–	–	19,000
Reversal of allowance of inventories	(28,699)	–	–	–	(28,699)
(Gain) loss on disposal of property, plant and equipment	(369)	(228)	–	2	(595)
Decrease in fair value of investment properties	–	–	(14,914)	–	(14,914)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Geographical information**

The Group's operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the customer. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended		Year ended	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited) (restated)	(Unaudited)	(Audited) (restated)
The PRC	<b>374,489</b>	361,593	<b>1,044,477</b>	1,009,630
Europe	<b>94,487</b>	40,774	–	–
United States	<b>97,517</b>	107,071	–	–
Hong Kong	<b>50,554</b>	19,627	<b>70</b>	210
Other Asian Countries	<b>107,662</b>	181,230	–	–
	<u><b>724,709</b></u>	<u>710,295</u>	<u><b>1,044,547</b></u>	<u>1,009,840</u>

*Note:*

Non-current assets excluded intangible assets, deferred tax assets, interests in associates, equity instruments at FVTOCI, other receivables and consideration receivables.



## 5. OTHER INCOME

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited) (restated)
<b>Continuing operations</b>		
Refund of Value Added Tax (“VAT”)	1,045	1,264
Government grants	19,572	13,228
Interest income earned on bank balances	23,354	17,665
Interest income earned on consideration and other receivables	2,919	944
Dividend income from financial assets at FVTPL	332	–
Others	375	–
	<u>47,597</u>	<u>33,101</u>

## 6. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited) (restated)
<b>Continuing operations</b>		
Impairment losses:		
– Finance lease receivable	–	(381)
– Equity instrument at FVTOCI	(384)	–
Write-off of trade receivables	(4,884)	–
Write-off of amount due from non-controlling shareholders of subsidiaries	–	(4,496)
(Loss) gain on disposal of property, plant and equipment	(221)	617
Gain arising on early termination of lease contracts	–	81
Net foreign exchange gain	900	13,583
Changes in fair values of investment properties	(3,028)	(14,914)
Net gain on disposal of subsidiaries	1,866	5,613
Gain on revaluation of retained interest in an associate	–	2,719
Fair value change on financial assets at FVTPL	(2,423)	101
Others	2,245	6,592
	<u>(5,929)</u>	<u>9,515</u>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited) (restated)
<b>Continuing operations</b>		
Interests on bank borrowings	2,071	1,769
Interests on bank liabilities	<u>1,148</u>	<u>2,385</u>
	<u><b>3,219</b></u>	<u><b>4,154</b></u>

## 8. TAXATION

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited) (restated)
<b>Continuing operations</b>		
PRC Enterprise Income Tax ("EIT")	296	4,356
Land appreciation tax in the PRC	-	12
Overprovisions on PRC LAT in previous years	<u>-</u>	<u>(132)</u>
	296	4,236
Deferred tax credit	<u>(7,084)</u>	<u>(11,207)</u>
	<u><b>(6,788)</b></u>	<u><b>(6,971)</b></u>

No provision for Hong Kong Profits Tax has been made for both years 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.

## 9. LOSS FOR THE YEAR

	2021 <b>HK\$'000</b> (Unaudited)	2020 <b>HK\$'000</b> (Audited) (restated)
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	2,300	2,300
Amortisation of intangible assets (included in cost of sales and services)	44,012	66,522
Less: Amount capitalised in development costs	(163)	(601)
Less: Amount capitalised in inventories	(43,849)	(65,921)
	-	-
Impairment loss recognized in respect of intangible assets (included in cost of sales and services)	19,000	19,000
Depreciation of property, plant and equipment	39,538	38,327
Less: Amount capitalised in development costs	(1,459)	(2,037)
Less: Amount capitalised in inventories	(23,818)	(26,210)
	14,261	10,080
Depreciation of right-of-use assets	12,308	9,504
Covid-19 related rent concessions	-	79
Allowance (reversal) of inventories (included in cost of sales and services)	48,335	(28,699)
Costs of inventories recognised as an expense (included in cost of sales and services)	610,552	532,403
Costs of properties sold (included in cost of sales and services)	170	-
Costs of manufacturing services (included in cost of sales and services)	92,485	72,210
Staff costs:		
Directors' emoluments	3,612	2,339
Other staff costs		
– Salaries and other benefits	242,655	142,129
– Retirement benefits scheme contributions	55,653	19,068
	301,920	163,536
Less: Amount capitalised in development costs	(37,100)	(53,020)
Less: Amount capitalised in inventories	(25,039)	(18,730)
	<b>239,781</b>	<b>91,786</b>

For the year ended 31 December 2020, Covid-19 related government grants/assistance amounted to HK\$27,031,000 have been offset against retirement benefits scheme contributions (2021: Nil).

## 10. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021 and 2020.

## 11. LOSS PER SHARE

### For Continuing operations

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited) (restated)
<b>Loss figures are calculated as follows:</b>		
Loss for the year attributable to owners of the Company	(245,800)	(38,323)
Add:		
Loss for the year from discontinued operations	<u>9,245</u>	<u>17,142</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u><u>(236,555)</u></u>	<u><u>(21,181)</u></u>
	2021 <i>'000</i> (Unaudited)	2020 <i>'000</i> (Audited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>2,317,901</u></u>	<u><u>2,386,582</u></u>

For the year ended 31 December 2021, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share from continuing operations.

For the year ended 31 December 2020, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options because the exercise prices of these share options were higher than the average market price for shares for the year.

### From continuing and discontinued operations

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:

	<b>2021</b>	2020
	<b>HK'000</b>	HK'000
		(restated)
<b>Loss</b>		
Loss for the purpose of basic and diluted per share	<u><u>(245,800)</u></u>	<u><u>(38,323)</u></u>

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

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK0.39 cents per share (2020: HK0.72 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$9,245,000 (2020: HK\$17,142,000) and the denominators detailed above for both basic and diluted loss per share.

For the year ended 31 December 2021, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share from discontinued operations.

The computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for 2020.

## 12. TRADE AND NOTES RECEIVABLES

The normal credit period taken on sales of goods is 0 – 90 days.

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

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <b>HK\$'000</b> <b>(Audited)</b>
Trade receivables		
0 – 30 days	<b>57,907</b>	50,795
31 – 60 days	<b>6,356</b>	28,060
61 – 90 days	<b>7,289</b>	7,444
91 – 180 days	<b>15,408</b>	6,427
Over 180 days	<b>30,955</b>	30,744
	<b>117,915</b>	123,470
Less: Allowance for credit losses	<b>(27,290)</b>	(26,490)
Trade receivables	<b>90,625</b>	96,980
Notes receivables ( <i>Note</i> )		
0 – 30 days	<b>5,034</b>	–
31 – 60 days	<b>495</b>	7,577
61 – 90 days	<b>13</b>	2,936
91 – 180 days	<b>1,832</b>	8,446
Over 180 days	<b>245</b>	199
	<b>7,619</b>	19,158
	<b>98,244</b>	116,138

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. The Group has policy for provision of ECL, which is based on an evaluation of the collectability and age analysis of accounts on every individual trade debtor with significant balances or credit impaired and the remaining balances are grouped based on past due characteristics and on management's judgement including creditworthiness, the past collection history and forward-looking information.

### 13. 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:

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
0 – 30 days	<b>124,475</b>	129,913
31 – 60 days	<b>3,144</b>	1,884
61 – 90 days	<b>4,844</b>	5,899
Over 90 days	<b>46,027</b>	47,167
	<hr/> <b>178,490</b>	<hr/> 184,863
Notes payables		
0-30 days	<hr/> <b>40,362</b>	<hr/> 14,641
	<hr/> <b>218,852</b>	<hr/> 199,504

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend to shareholders of the Company (“Shareholders”) for the Year.

## CLOSURE OF REGISTER OF MEMBERS

For determining shareholders’ right to attend and vote at the forthcoming annual general meeting of the Company (“AGM”):

Closure dates of register of members (both days inclusive)	13 June 2022 (Monday) to 16 June 2022 (Thursday)
Latest time to lodge transfers	4:30 p.m. on 10 June 2022 (Friday)
Record date	16 June 2022 (Thursday)
AGM	16 June 2022 (Thursday)

During the period of the closure of register of members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before the relevant latest time to lodge transfers.

## ANNUAL GENERAL MEETING

The AGM will be held at 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 16 June 2022. The notice of the AGM will be posted on the respective websites of the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and dispatched to the Shareholders in due course.

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the past two years, the handset terminal supply chain was first hit by shortage of semiconductors, followed by the COVID-19 pandemic affecting the production processes of various materials, resulting in shortage of various other components on top of semiconductors in general. As a result, delivery took more time and prices climbed in general, bringing unprecedented difficulties to the 3C electronic product manufacturing industry. On the other hand, the Group was unable to proceed smoothly with overseas business expansion as scheduled. The Group’s business continued to move forward amid these difficulties. In 2021, the Group recorded sales revenue of HK\$724.7 million from continuing operations, a 2.0% growth year-on-year. Gross profit was HK\$21.5 million, a 80.7% decline year-on-year. In 2021, general price increases, insufficient supply and even stockouts of a series of components, particularly semiconductors, posed tremendous pressure and impacts on the cost of and shipments by the Group’s business.



The Group has invested heavily in retaining existing employees and recruiting experienced and outstanding talent in the industry and substantial manpower has been allocated to functions from marketing to research and development (R&D). Together with the fact that the Chinese government's pandemic-related preferential policies have ended in 2021, the Group's staff costs increased significantly against the same period last year. However, the Group achieved remarkable results in expanding its customer base during the reporting period, securing new customers in the fields of operators, smart POS and two-wheeled electric vehicles, founding a solid foundation to grow business in 2022 and beyond.

### **Handsets and IOT terminals business**

In 2021, this business segment achieved revenue of HK\$567.6 million, a 3.2% decrease against the same period last year. Gross loss was HK\$38.5 million, a 162.6% decrease as compared to last year. Due to tense Sino-US relations and the pandemic prevailing overseas, most of the shipments to overseas customers during the reporting period was made for orders not executed or fulfilled in the previous year, and growth of new overseas orders was slow. At the same time, factors such as the pandemic affected existing customers' own sales hence demands from them fell short of expectation, and orders from some customers actually fell like off the cliff. In addition, due to the shortage of supply of semiconductors and other components, some existing orders could not be delivered as scheduled. Although the Group secured new contracts of considerable amounts during the reporting period, due to the comparatively long R&D and certification cycles of the industry's end-user ODMs, mass production and shipment stage has not yet been achieved in 2021, and thus the Group could not complete its shipments very tasks in 2021. In addition, with prices of components up across the board and the delayed delivery of normal supply cycle, the Group needed to procure some major components in the spot market at high prices, which resulted in a sharp increase in costs and a marked decline in gross profit in 2021 compared with 2020.

The management of the Group reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and/or slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods and raw materials primarily based on the latest selling and purchase prices and current market conditions. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods and raw materials, additional allowances may be required. During the Year, one-off allowance of inventories of HK\$48,335,000 was charged to profit or loss, which dragged gross profit and gross profit margin down further. Excluding the provision, the segment would have a 1.7% gross profit margin.

During the reporting period, the Group recruited a large number of outstanding experienced marketing, R&D and management talent, and made technological and market breakthroughs in the fields of routers, smart POS, the central control of two-wheeled electric vehicles and many other aspects. The new talent also brought in advanced management concepts and models.

In 2022, the Group's focus is to accelerate R&D, ensure production and delivery and turn framework contracts signed in 2021 into sales orders and complete shipments. Semiconductor supply remains an uncertain factor affecting whether the Group could meet shipment targets for the year 2022. The rising prices of components will also pose great pressure on the Group in cost control. As for R&D, the Group will focus on generalization of the semiconductor platform, striving to replace imported semiconductors and other components with domestic products, strengthen standardization and generalization of key equipment, strengthen resources reserve of suppliers to achieve mass procurement and reduce spot procurement, all for minimizing the impact of various unfavorable factors along the supply chain on shipments, with a view to lowering costs notably and realize delivery targets.

### **Electronics manufacturing services business**

The electronics manufacturing services business (EMS) recorded revenue of HK\$95.1 million in 2021, an increase of 27.0% over the same period in 2020. Gross profit was HK\$2.7 million, a 2.1% decrease year-on-year.

During 2021, the Group's factories in the Mainland resumed normal production and with customers and processed products more diversified, revenue of the business segment increased relative to the same period last year. At the same time, the increase in orders translated into pressure on production capacity and more complex processing procedures, and as manual operations make up a large part of the production process, work efficiency was on the low side. In view of this, the Group will continue to increase investment in digitalization and intelligence deployment in its production operations, so as to reduce the proportion of labor costs in total costs, while working hard to reduce overall costs, actively improve efficiency and enhance overall product quality and offer better service to customers.

### **Internet of things system and online-to-offline business**

The Group entered into an agreement to dispose of its 98.7% equity interest in Shanghai Yunhao Trading Limited on 23 March 2021 and the transaction was completed on 6 April 2021, marking the complete exit of all of the offline business from this segment. Subsequently, the Group will combine the IOT business with the Handsets and IOT terminals business segment, and to provide customers with "cloud+terminal" one-stop solutions.

### **Property management**

For the year ended 31 December 2021, 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. Total area of approximately 88,000 square meters was leased out. To utilize our resources more effectively, the Group is developing the property management business by leasing out the spare space at factories and other buildings.

The revenue of property management for the year 2021 was amounted to HK\$62.0 million (2020: HK\$49.3 million) with a gross profit margin of 92.5% (2020: 95.5%).

## Prospects

The Group's biggest shortfall currently lies in its supply chain. The decline in supply chain capability in the past few years has led to a slump in gross profit of the Group. Therefore, in 2022, the Group's priorities are to reduce cost and to guarantee delivery. It will also implement integrated supply chain reform, strengthen standardized management of materials, improve material reusability and lower procurement costs. On the production capacity front, the Tongcheng factory was completed and put into operation in the second half of 2021, and the Group has plan to establish a new production base in Dongguan. It will have production capacity sufficient for ensuring delivery volume several times higher than before in 2022 and beyond. Regarding the next stage of development, the Group will follow the Pareto Optimality concept in resource allocation and strengthen four "focuses": focus on a few key semiconductor platforms, focus on certain market segments, focus on top customers and focus on certain blockbuster products. The Group believes by doing so it will see marked improvement in operational efficiency. In addition, the Group will increase investment in R&D of own products and general semiconductor platforms and strive to open up more new markets.

Year 2022 will probably be the most critical year in the Group's history. The management will adhere to the operating philosophy of "strengthening management, reducing costs, ensuring delivery and making up for shortcomings" and adopt a united and pragmatic approach in leading the Group out of present difficulties and turn around to profit as soon as possible.

## FINANCIAL REVIEW OF CONTINUING OPERATIONS

For the year ended 31 December 2021, the revenue from handsets and IOT terminals business and EMS business ("**Core Business**") increased by 0.3% to HK\$662.7 million (2020: HK\$661.0 million). The revenue from property management ("**Non-core Business**") increased by 25.8% to HK\$62.0 million in 2021 as compared with that in 2020 (2020: HK\$49.3 million). The total revenue of the Group for the Year, included revenue of Core Business and Non-core Business amounted to HK\$724.7 million (2020: HK\$710.3 million).

The gross loss for Core Business of the Group for the Year was HK\$35.8 million (2020: gross profit HK\$64.3 million). The gross loss margin for Core Business was 5.4% (2020: gross profit margin 9.7%) and the gross profit margin for Non-core Business decreased to 92.5% (2020: 95.5%) The overall gross profit margin of the Group for the Year was 3.0% (2020: 15.7%).

The Group recorded a loss attributable to owners of the Company from continuing operations of HK\$236.6 million (2020: HK\$21.2 million) for the year. The basic loss per share from continuing operations for the Year was HK10.21 cents (2020: HK0.89 cents). Such increase in loss was mainly attributable to the factors discussed below:

During 2020, the PRC government announced certain financial measures and supports for corporate to overcome the negative impact arising from the pandemic. In particular, the Ministry of Human Resources and Social Security issued an announcement regarding the administration of Chinese social security contributions during the period of prevention and containment of the spread of COVID-19 and decided to reduce or waive employer obligations on social security contributions for a specified period from February to December 2020 to ease the burden of enterprises during this difficult time. Approximately HK\$27,031,000 of the retirement benefits costs were waived in 2020. However, such arrangement has been discontinued in 2021. Accordingly, the Group resumed making full contributions in 2021 and thus experienced a considerable increase in costs. Meanwhile, as some orders could not be produced due to the long supply cycle of electronic components in the market, inventory cycle also extended. A one-off provision for impairment of inventories of HK\$48,335,000 was made during the year, which caused to the decline in gross profit and gross profit margin.

In addition, the new management team has formulated a very aggressive development plan that the Group's business will have to grow rapidly in the next few years. To this end, in this year, the Group has increased investment in human resources, and recruited many highly professional and experienced talents from the industry to enrich the management and various departments of the Group. At the same time, in order to adapt to the reality of the soaring cost of high-tech talents in mainland China, the Group has increased the salary and bonuses of some existing employees, so as to increase the employees' sense of belonging and motivation to the Group to strive to create more profits for the Group. The above factors have resulted in a substantial increase in labour costs over the same period last year.

The Group proactively invested in opening new product lines (e.g. data communication products) and expanding its customer base in 2021. Specifically, the Group managed to secure orders from 2 major operators in the industry during 2021 but almost none of the deliveries was made due to the global semiconductor shortage. Nonetheless, the Group's new management took the proactive view that the Group should not idle during the time and that the Group's research and development of new markets must stay at the forefront of the industry or else the opportunity for growth would be lost. There was therefore a significant increase in the Group's research and development costs in 2021.

### **Research and development expenses from continuing operations**

In 2021, the Group mainly focused on the development of handsets and IOT terminals business. The number of design and development team members was 444 in 2021 (2020: 226). Total R&D expenses of the Group amounted to HK\$178.7 million (2020: HK\$64.2 million), representing 24.7% (2020: 9.0%) of the Group's revenue.

### **Selling and distribution costs from continuing operations**

The selling and distribution costs of the Group for the Year increased by 52.2% to HK\$38.5 million (2020: HK\$25.3 million). The ratio of the selling and distribution costs over revenue in 2021 was 5.3% (2020: 3.6%).

## Administrative expenses from continuing operations

The Group's administrative expenses for 2021 increased by 50.8% to HK\$132.1 million (2020: HK\$87.6 million), representing 18.2% (2020: 12.3%) of the revenue.

## Segment results of core business

	Year ended 31 December 2021 (unaudited)			Year ended 31 December 2020 (audited)		
	Revenue <i>HK\$'M</i>	Gross (loss) profit <i>HK\$'M</i>	Gross (loss) profit margin %	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %
Handsets and IOT terminals business	567.6	(38.5)	(6.8)	586.1	61.6	10.5
EMS business	95.1	2.7	2.8	74.9	2.7	3.6
Total	<u>662.7</u>	<u>(35.8)</u>	<u>(5.4)</u>	<u>661.0</u>	<u>64.3</u>	<u>9.7</u>

## Handsets and IOT terminals business

The revenue of this segment decreased year-on-year by 3.2% to HK\$567.6 million (2020: HK\$586.1 million) in 2021. Due to the prices of components up across the board and the normal supply cycle slipping affecting on-time delivery, the Group was forced to procure some major components in the spot market at high prices, which resulted in a sharp increase in costs; meanwhile, as some orders could not be produced due to the long supply cycle of electronic materials in the market, inventory cycle also extended. A one-off provision for impairment of inventories of HK\$48,335,000 was made during the year which caused to a marked decline in gross profit and gross profit margin in 2021 compared with 2020. The overall gross profit margin of this business segment decreased significantly and recorded a gross loss margin of 6.8% (2020: gross profit margin 10.5%) for the Year. The revenue of ODM business contributed to approximately 91% of the revenue of this segment in 2021 (2020: 91%).

## EMS business

Due to the Group's mainland factories resumed normal production and with customers and processed products more diversified, revenue of the business segment increased relative to the same period last year. The revenue of this segment increased year-on-year by 27.0% to HK\$95.1 million (2020: HK\$74.9 million). The increase in orders translated into pressure on production capacity and more complex processing procedures, and as manual operations make up a large part of the production process, work efficiency was on the low side, gross profit margin decreased year-on-year to 2.8% (2020: 3.6%).

## Disposal of IOT system and O2O business

In the first half of 2021, the Group completed the disposal of 98.7% equity interest in 上海雲灝貿易有限公司 (unofficial English translation being Shanghai Yunhao Trading Limited). A loss on disposal of HK\$0.8 million was recorded in the Year. Further information relating to such disposal is set out in the section headed “Material Acquisition and Disposal of Subsidiaries or Associated Companies” below.

For the purpose of presenting the consolidated financial statements of the Group for the year ended 31 December 2021 and 2020, the financial information of IOT system and O2O business was presented as discontinued operations.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Liquidity

As at 31 December 2021, the Group had bank balances and cash of HK\$322.3 million (31 December 2020: HK\$667.9 million), among which 42.5% was held in US dollars, 55.5% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term bank deposits of HK\$353.2 million (31 December 2020: HK\$281.6 million), among which 79.2% was held in US dollars and 20.8% was held in Renminbi. As at 31 December 2021, the Group also had pledged bank deposits of HK\$16.1 million (31 December 2020: HK\$5.9 million) in Renminbi for the purpose of the Group’s Renminbi borrowings. The Group intends to finance its working capital and capital expenditure plans from such bank balances. The Group has pledged bank deposits to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$41.9 million as at 31 December 2021 (31 December 2020: HK\$36.0 million), all of which 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:

	<b>2021</b>	2020
	<b>Days</b>	Days
	<b>(Unaudited)</b>	(Audited)
		(restated)
Inventory turnover period	<b>116</b>	113
Trade and notes receivables turnover period	<b>49</b>	75
Trade and notes payables turnover period	<b>128</b>	100

The inventory turnover period remained relatively stable in the year 2021 and 2020.

In 2021, the proportion of accounts receivable with longer credit period decreased. As a result, the trade and note receivable turnover days decreased for 2021 as compared to that of year 2020.

As affected by the COVID-19 pandemic, repayment schedules of certain accounts payables had been slowed down during the Year as compared to that of year 2020. As a result, the trade and notes payables turnover days increased for the Year as compared to that of year 2020.

As at 31 December 2021, the current ratio, calculated as current assets over current liabilities, was 2.6 times (31 December 2020: 3.6 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group to understand its ability to convert inventory into cash and its sales and cash conversion cycle. Through reviewing the turnover periods, the Group can improve its operational efficiency. The current ratio can help the Group to 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. As at 31 December 2021, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposure in US dollars when necessary.

### **CAPITAL STRUCTURE**

As at 31 December 2021, the Company had 2,279,777,300 ordinary shares of HK\$0.10 each in issue.

The Company has issued 2,153,000 ordinary shares of HK\$0.10 each upon the exercise of share options by employee of the Company during the year.

Save as disclosed above, no shares of the Company have been issued during the Year.

### **GEARING RATIO**

As at 31 December 2021, the total assets value of the Group was HK\$2,583.2 million (31 December 2020: HK\$2,801.6 million) and the bank borrowings was HK\$41.9 million (31 December 2020: HK\$36.0 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 1.6% (31 December 2020: 1.3%).

The Group reviews its gearing ratio on a regular basis. According to its capital plan for the future, the Group tries to maximise revenue for shareholders with capital risk awareness in mind. Capital structure is constantly being adjusted according to changes in the operational environment.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

On 23 March 2021, 上海雲貿物聯網科技有限公司 (Shanghai Yunmao IOT Limited\*) (“**Shanghai Yunmao**”), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Cheng Shuchun and Huang Xiaoyan, pursuant to which Shanghai Yunmao agreed to sell and Cheng Shuchun and Huang Xiaoyan agreed to purchase 98.7% equity interest of 上海雲灝貿易有限公司 (Shanghai Yunhao Trading Limited\*) at a consideration of RMB34,180,000. The disposal was completed in the first half of 2021.

Further details of the above mentioned disposal are disclosed in the announcement of the Company dated 23 March 2021.

On 26 November 2021, Simcom Holdings HK Limited (“**Simcom Holdings**”), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Kongtop Electronics Co. Limited (“**Kongtop Electronics**”), pursuant to which Simcom Holdings conditionally agreed to sell and Kongtop Electronics conditionally agreed to purchase 100% equity interest of 康拓實業(深圳)有限公司 (Kongtop Industrial (Shenzhen) Co., Limited\*) at a consideration of USD3,000,000. The disposal was completed during 2021.

Further details of the above mentioned disposal are disclosed in the announcement of the Company dated 26 November 2021.

Save as disclosed above, during the Year, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

## **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 RMB2,000,000,000 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 RMB1,000,000,000 in fixed asset investment and the remaining RMB1,000,000,000 for operating cashflow.

Save as disclosed above, the Group did not have any plans for material investment or capital assets during the Year.

## **SIGNIFICANT INVESTMENT**

As at 31 December 2021, the Group did not have any significant investment.



## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

## EMPLOYEES

As at 31 December 2021, the Group had approximately 1,651 (2020: 1,149) employees from continuing operations. The Group operates a Mandatory Provident Fund retirement benefits scheme for all of 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 also offers discretionary bonuses, 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. Total staff costs incurred by the Group amounted to HK\$301.9 million from continuing operations (2020: HK\$163.5 million) during the Year.

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

During the year ended 31 December 2021, the Company has repurchased 96,608,000 shares of the Company on the Stock Exchange. The repurchase shares were cancelled subsequently in August 2021, October 2021, November 2021, December 2021 and January 2022. 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\$	
July 2021	8,286	0.440	0.400	3,544
September 2021	28,094	0.415	0.380	11,426
October 2021	11,812	0.420	0.400	4,877
November 2021	12,598	0.430	0.405	5,334
December 2021	35,818	0.460	0.410	15,672
	<u>96,608</u>			<u>40,853</u>

Other than the shares repurchased by the Company as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

## EVENT AFTER THE REPORTING PERIOD

There were no significant events of the Group occurred since the end of the Year.

## **CORPORATE GOVERNANCE CODE**

Save as mentioned below, the Company has complied with the code provisions laid down in the Corporate Governance Code (“**Corporate Governance Code**”) as set out in the then prevailing Appendix 14 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange for the Year.

On 24 December 2021, the Board has established a nomination committee with defined written terms of reference in accordance with the Corporate Governance Code. Before the establishment of the nomination committee during the Year, the Board has not established a nomination committee which was in deviation from Provisions A.5.1 to A.5.5 of the then prevailing Corporate Governance Code because at that time, the Company did not consider it necessary to have a nomination committee as the full Board was responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it had a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole was also responsible for assessing the independence of the independent non-executive Directors and reviewing the succession plan for the Directors, in particular the chairman of the Board.

According to the code provision E.1.2 of the then prevailing Corporate Governance Code, the chairman of the Board shall attend the annual general meeting of the Company and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. At the annual general meeting of the Company held on 3 June 2021 (“**2021 AGM**”), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to illness. Mr Liu Jun, an executive Director and the chief technical officer of the Group, chaired the 2021 AGM pursuant to the bye-laws of the Company and was available to answer questions. Mr Liu Hing Hung, an independent non-executive Director and the chairman of the remuneration committee of the Board and the audit committee of the Board (“**Audit Committee**”), were also available at the 2021 AGM to answer questions from Shareholders.

## **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 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 for the Year.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the restrictions in force in parts of the PRC and Hong Kong to combat with the 5th wave coronavirus disease (COVID-19) pandemic. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with International Standards on Auditing.

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the unaudited consolidated financial statements of the Group for the Year.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 12 April 2022.

## **PUBLICATION OF UNAUDITED RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This unaudited results announcement is published on the respective websites of the Company ([www.sim.com](http://www.sim.com)) and of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 annual report will be despatched to the Shareholders and 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 Year.

## **DIRECTORS**

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

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

*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.*

30 March 2022

\* *For identification purposes only*