



SIM Technology

SIM Technology Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)



INTERIM REPORT 2024





CHAIRMAN'S STATEMENT





On behalf of the board ("Board") of directors ("Directors") of SIM Technology Group Limited ("Company"), I am presenting the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2024 ("1H-2024").

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 (上海臻康電子有限公司) ("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.





CHAIRMAN'S STATEMENT



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.




CHAIRMAN'S STATEMENT



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 1H-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.






CHAIRMAN'S STATEMENT




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.



CHAIRMAN'S STATEMENT

Appreciation

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

Wong Cho Tung

Chairman

Hong Kong, 27 August 2024



MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$'M	Gross profit HK\$'M	Gross profit margin %	Revenue HK\$'M	Gross profit HK\$'M	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	161.4	18.2	11.3	272.6	30.1	11.0



MANAGEMENT DISCUSSION AND ANALYSIS

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: HK\$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).

MANAGEMENT DISCUSSION AND ANALYSIS

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 Days	31 December 2023 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).



MANAGEMENT DISCUSSION AND ANALYSIS



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.






MANAGEMENT DISCUSSION AND ANALYSIS



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.




EMOLUMENT POLICY

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

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



The Company has adopted a share option scheme ("Share Option Scheme") to motivate the eligible persons referred therein, which include executive Directors and employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.





MANAGEMENT DISCUSSION AND ANALYSIS



FUTURE PLANS FOR MATERIAL INVESTMENT

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During 1H-2024, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

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.

EVENT AFTER THE REPORTING PERIOD

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



INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	183,678	297,754
Cost of sales and services		(145,398)	(245,002)
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	13	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		(1,053)	(1,933)
Loss before taxation		(90,808)	(51,812)
Taxation	6	770	1,473
Loss for the period	7	(90,038)	(50,339)

INTERIM FINANCIAL STATEMENTS

		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
	NOTE	(Unaudited)	(Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(82,257)	(50,407)
Non-controlling interests		(7,781)	68
		<u>(90,038)</u>	<u>(50,339)</u>
Loss per share (HK cents)	9		
Basic		<u>(3.8)</u>	<u>(2.3)</u>
Diluted		<u>(3.8)</u>	<u>(2.3)</u>

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTE	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Loss for the period	7	(90,038)	(50,339)
Other comprehensive income (expense) for the period:			
<i>Item that may be subsequently reclassified to profit or loss for the period:</i>			
Reclassification of cumulative translation reserve upon deregistration of foreign operations		30,764	-
<i>Items that will not be subsequently reclassified to profit or loss for the period:</i>			
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)

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		30 June 2024	31 December 2023
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Investment properties	10	619,805	640,111
Property, plant and equipment	10	44,075	56,243
Right-of-use assets	10	17,023	17,482
Intangible assets	10	165	553
Interests in associates		46,672	46,616
Equity instruments at fair value through other comprehensive income ("FVTOCI")	19	60,425	68,130
		788,165	829,135
Current assets			
Inventories	14	59,056	86,323
Properties held for sale		469	469
Trade and notes receivables	12	81,779	82,440
Other receivables, deposits and prepayments		84,740	360,807
Amount due from an associate	18	251	-
Financial assets at fair value through profit or loss ("FVTPL")	19	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

INTERIM FINANCIAL STATEMENTS

		30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	NOTES		
Current liabilities			
Trade and notes payables	15	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	16	–	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
Capital and reserves			
Share capital	17	214,335	214,335
Reserves		1,267,219	1,405,591
Equity attributable to owners of the Company		1,481,554	1,619,926
Non-controlling interests		(17,352)	(733)
Total equity		1,464,202	1,619,193
Non-current liabilities			
Deposits from tenants		6,124	6,078
Lease liabilities		659	2,194
Deferred tax liabilities		82,891	89,976
Deferred income		27,955	36,702
		117,629	134,950
		1,581,831	1,754,143

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2024


	Attributable to owners of the Company											Non-controlling interests	Total	
	Share capital	Share premium	Statutory surplus reserve	Other reserve	Share option reserve	Employee share trust reserve	Properties revaluation reserve	Asset revaluation reserve	Capital redemption reserve	Translation reserve	Accumulated (loss) profits			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(Note: a)	(Note: b)										
At 1 January 2023 (audited)	219,852	746,459	61,469	95,271	17,871	(16,623)	333,256	3,867	38,705	83,525	(289,439)	1,294,213	14,123	1,308,336
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(50,407)	(50,407)	68	(50,339)
Other comprehensive income (expense) for the period	-	-	-	-	-	-	979	(310)	-	(22,896)	-	(22,227)	-	(22,227)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	979	(310)	-	(22,896)	(50,407)	(72,634)	68	(72,566)
Released upon deregistration of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(762)	(762)
Acquisition of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(2,170)	(2,170)
Transfer to statutory surplus reserve	-	-	1,285	-	-	-	-	-	-	-	(1,285)	-	-	-
At 30 June 2023 (unaudited)	219,852	746,459	62,754	95,271	17,871	(16,623)	334,235	3,557	38,705	60,629	(341,131)	1,221,579	11,259	1,232,838
At 1 January 2024 (audited)	214,335	733,716	119,217	95,271	8,602	-	274,905	11,830	44,222	61,722	56,106	1,619,926	(733)	1,619,193
Loss for the period	-	-	-	-	-	-	-	-	-	-	(82,257)	(82,257)	(7,781)	(90,038)
Other comprehensive income (expense) for the period	-	-	-	-	-	-	357	(5,779)	-	26,203	-	20,781	-	20,781
Total comprehensive income (expense) for the period	-	-	-	-	-	-	357	(5,779)	-	26,203	(82,257)	(61,476)	(7,781)	(69,257)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(315)	9,153	8,838	(8,838)	-
Dividend paid (Note 8)	-	-	-	-	-	-	-	-	-	-	(85,734)	(85,734)	-	(85,734)
Withdrawn upon deregistration of subsidiaries	-	-	(1,817)	-	-	-	-	-	-	-	1,817	-	-	-
Transfer to statutory surplus reserve	-	-	745	-	-	-	-	-	-	-	(745)	-	-	-
At 30 June 2024 (unaudited)	214,335	733,716	118,145	95,271	8,602	-	275,262	6,051	44,222	87,610	(101,660)	1,481,554	(17,352)	1,464,202



INTERIM FINANCIAL STATEMENTS



Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	(37,690)	(52,544)
Increase (decrease) in contract liabilities	14,327	(20,158)
Other movements in working capitals	(21,948)	60,623
Cash used in operations	(45,311)	(12,079)
Interest received	15,389	8,485
Tax (paid) refund	(19,249)	538
NET CASH USED IN OPERATING ACTIVITIES	(49,171)	(3,056)
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at FVTPL	-	2,711
Proceeds on disposal of property, plant and equipment	1,159	179
Net proceeds on disposal of assets held for disposal	287,281	-
Purchase of property, plant and equipment	(3,773)	(629)
Purchase of intangible assets	(630)	(1,437)
Net cash inflow on disposal of an associate	-	6,941
Receipt of amounts due from associates	-	2,414
Receipt of consideration receivables	644	226
Advance to an associate	(251)	-
Placement of pledged bank deposits	-	(21,546)
Withdrawal of pledged bank deposits	-	66,371
Placement of short-term bank deposits	(350,428)	(132,177)
Withdrawal of short-term bank deposits	411,804	53,853
Dividend received	-	7,273
NET CASH FROM (USED IN) INVESTING ACTIVITIES	345,806	(15,821)

INTERIM FINANCIAL STATEMENTS

Six months ended 30 June
 2024 2023
 HK\$'000 HK\$'000
 (Unaudited) (Unaudited)

FINANCING ACTIVITIES

New bank borrowings raised	–	53,710
Repayments of bank borrowings	(33,000)	(112,634)
Interest paid	(1,053)	(1,781)
Repayment of lease liabilities	(1,756)	(4,791)
Dividend paid	(85,734)	–

NET CASH USED IN FINANCING ACTIVITIES	(121,543)	(65,496)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	175,092	(84,373)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	74,219	191,814
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EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(4,358)	(10,242)
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CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	244,953	97,199
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INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

SIM Technology Group Limited ("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 terminals business ("handsets and IOT terminals business"), automotive intelligent products business and property management in the PRC.

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

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange.




INTERIM FINANCIAL STATEMENTS




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.

INTERIM 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 HK\$'000	Automotive intelligent products business HK\$'000	Property management HK\$'000	Total HK\$'000
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	156,346	5,103	22,229	183,678
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	156,346	5,103	N/A	

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023 (unaudited)

	Handsets and IOT terminals business HK\$'000	Automotive intelligent products business HK\$'000	Property management HK\$'000	Total HK\$'000
--	--	---	------------------------------------	-------------------

Types of goods or services

Sale of handsets and IOT terminals	272,627	-	-	272,627
Property rental	-	-	25,127	25,127
Total	272,627	-	25,127	297,754

Revenue from contracts with customers and timing of revenue recognition

A point in time	259,086	-	N/A
Over time	13,541	-	N/A
Total	272,627	-	N/A

Geographical markets

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

INTERIM FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

Segment information is presented based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("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 HK\$'000	Automotive intelligent products business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue				
External sales	156,346	5,103	22,229	183,678
Segment loss	(37,436)	(25,254)	(6,824)	(69,514)
Other income and other gains and losses – unallocated				(15,599)
Share of results of associates				56
Corporate expenses				(4,698)
Finance costs				(1,053)
Loss before taxation				(90,808)

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023 (unaudited)

	Handsets and IOT terminals business HK\$'000	Automotive intelligent products business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
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.

INTERIM FINANCIAL STATEMENTS

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (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

INTERIM FINANCIAL STATEMENTS

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, interests in associates, properties held for sale, 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
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Refund of Value Added Tax ("VAT") (Note i)	1,010	678
Government grants (Note ii)	9,806	19,615
Bank interest income	15,389	8,485
Dividend income	–	7,273
Others	1,185	2,006
	27,390	38,057

INTERIM FINANCIAL STATEMENTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
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 (Note iii)	(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
	(53,670)	(29,899)

Notes:

- (i) Shanghai Simcom Limited ("Shanghai Simcom"), 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.

INTERIM FINANCIAL STATEMENTS

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	(7,545)	(688)
	(4,391)	594
Deferred tax credit	5,161	879
Taxation for the period	770	1,473

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. Shanghai Simcom, Shanghai Zhenkang Electronics Limited and Shanghai Sunrise Simcom Limited are classified as New and High Technology Enterprise and are entitled to adopt a tax rate of 15%. The relevant annual tax rate used for EIT for the Group's subsidiaries ranged from 15% to 25% (six months ended 30 June 2023: 15% to 25%).

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

INTERIM FINANCIAL STATEMENTS

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)
	-	-
Depreciation of property, plant and equipment	10,350	14,922
Less: Amount capitalised in inventories	(5,098)	(10,728)
	5,252	4,194
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)
	51,435	78,008
Costs of inventories recognised as an expense (included in cost of sales and services)	145,398	245,002

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.

INTERIM FINANCIAL STATEMENTS

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	(82,257)	(50,407)

	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	2,142,207	2,156,895

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.



INTERIM FINANCIAL STATEMENTS

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

Investment properties

The fair value of the Group's investment properties at 30 June 2024 and 31 December 2023 were arrived at on the basis of a valuation carried out on that date by HG Appraisal & Consulting Limited, independent qualified professional valuers not related to the Group.

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties were assessed and discounted at the market yield expected by investors for this type of properties. The market rentals were assessed based on estimates of future cash flows, supported by the terms of existing lease and the market rentals of the similar properties in the neighbourhood. The rates were determined by reference to the yields derived from analysing the sales transactions of similar commercial and industrial properties in Shanghai and Shenyang adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. The valuation technique used was the same as that adopted in previous years.

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

During the current interim period, the Group transferred certain buildings from property, plant and equipment and right-of-use assets with aggregate carrying amount of HK\$338,000 (six months ended 30 June 2023: HK\$1,643,000) to investment properties because its use was changed as evidenced by the end of owner-occupation. The difference between the carrying amounts and the fair values of the relevant properties at the date of transfer amounted to HK\$476,000 (six months ended 30 June 2023: HK\$1,328,000) and was recognised in other comprehensive income.




INTERIM FINANCIAL STATEMENTS




The fair value of investment properties as at 30 June 2024 was HK\$619,805,000 (31 December 2023: HK\$640,111,000) and a fair value loss of HK\$21,120,000 (six months ended 30 June 2023: fair value loss of HK\$275,000) have been recognised directly in profit or loss for the six months ended 30 June 2024.

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to HK\$3,773,000 (six months ended 30 June 2023: HK\$629,000).



During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$5,332,000 (six months ended 30 June 2023: HK\$540,000) for cash proceeds of HK\$1,159,000 (six months ended 30 June 2023: HK\$179,000), resulting in a loss on disposal of HK\$4,173,000 (six months ended 30 June 2023: loss on disposal of HK\$361,000).



Right-of-use assets



During the current interim period, the Group entered into several new lease agreements for the use of office premises and warehouses with lease term ranged from two to three years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liability amounted to HK\$376,000 (six months ended 30 June 2023: HK\$32,000).

Intangible assets



During the current interim period, additions to the Group's intangible assets amounted to HK\$630,000 (six months ended 30 June 2023: HK\$1,437,000).





INTERIM FINANCIAL STATEMENTS

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

During the period ended 30 June 2024, the revenue from handsets and IOT terminal business dropped and caused a significant operating loss. The management concluded that there was indication of impairment and conducted impairment assessment on the recoverable amount of the assets allocated to the handsets and IOT terminal business.

The recoverable amount was assessed based on the discounted future pre-tax cash flows expected to be derived from the assets. The key assumptions for the value-in-use calculation related to the estimation of cash inflows/outflows, including budgeted sales, gross profit margin and growth rate. Such estimation was based on the unit's past performance and the management's expectations on market development.

As at 30 June 2024, the calculation used cash flow projections approved by the management covering the following 5 years with annual growth rates estimated based on historical records. The cash flows beyond the five-year period were extrapolated using a 0% (30 June 2023: 1%) terminal growth rate. The pre-tax discount rate used in measuring the amount of value-in-use was 16.2% (30 June 2023: 15.8%).

No impairment loss was recognised against the carrying amount of property, plant and equipment, right-of-use assets and intangible assets with finite useful lives, respectively during the period ended 30 June 2024. After the impairment assessment, the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets of the Group were HK\$44,075,000, HK\$17,023,000 and HK\$165,000 (31 December 2023: HK\$56,243,000, HK\$17,482,000 and HK\$553,000), respectively.

INTERIM FINANCIAL STATEMENTS

12. 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. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition.

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (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	28,594	38,237
	<u>85,972</u>	<u>86,920</u>
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	88	7,654
	<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.

INTERIM FINANCIAL STATEMENTS

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Reversal of impairment losses) impairment losses recognised in respect of		
Trade receivables	(721)	(5,560)
Other receivables	65	732
Amounts due from associates	–	(2,414)
Consideration receivables	(644)	7,914
	(1,300)	672

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

14. INVENTORIES

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Raw materials	41,732	61,422
Work in progress	615	5,040
Finished goods	16,709	19,861
	59,056	86,323

INTERIM FINANCIAL STATEMENTS

15. TRADE AND NOTES PAYABLES

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

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (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	11,209	11,931
	60,037	71,199
Notes payables		
0 – 30 days	300	6,721
Trade and notes payables	60,337	77,920

INTERIM FINANCIAL STATEMENTS

16. BANK BORROWINGS

During the period ended 30 June 2023, the Group obtained new short-term borrowings with total amount of HK\$48,110,000. The bank borrowings carried interest rate ranged from 1.55% to 4.5% per annum, were repayable within one year and were fully settled during the current interim period.

17. SHARE CAPITAL

	Number of shares		Share capital	
	2024	2023	2024	2023
	'000	'000	HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1 January and 30 June	3,000,000	3,000,000	300,000	300,000
Issued:				
At 1 January and 30 June	2,143,351	2,198,525	214,335	219,852

INTERIM FINANCIAL STATEMENTS

18. RELATED PARTY TRANSACTIONS

The Group has following transactions and balances with related parties:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Amount due from an associate	251	-

The amount due from an associate is unsecured, interest free with 30-60 days credit terms.

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Handsets and IOT terminals business income from associates	2,320	104

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short term benefits	2,630	1,970
Post-employment benefits	160	157
Other benefits	249	-
	<u>3,039</u>	<u>2,127</u>



INTERIM FINANCIAL STATEMENTS

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

INTERIM FINANCIAL STATEMENTS

	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Relationship of unobservable inputs to fair value
	30 June 2024	31 December 2023			
	HK\$'000 (unaudited)	HK\$'000 (audited)			
Financial assets:					
Equity instruments at FVTOCI	60,425	68,130	Level 3	Market approach - in this approach, price to book value (PB multiple) adjusted with discount for lack of marketability was adopted for the valuation of the ownership of the investee base on PB multiple of a group of comparable companies in the market in the similar business.	An increase in the adjusted net assets, holding all other variables constant would increase the carrying amount
Financial assets at FVTPL					
- listed equity security	291	468	Level 1	Quoted bid prices in an active market.	N/A

INTERIM FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI HK\$'000
As at 1 January 2023 (audited)	61,376
Total loss in other comprehensive income	(413)
Redemption	(2,711)
Exchange adjustment	(1,008)
As at 30 June 2023 (unaudited)	57,244
As at 1 January 2024 (audited)	68,130
Total loss in other comprehensive income	(7,705)
As at 30 June 2024 (unaudited)	60,425

Included in other comprehensive income is an amount of HK\$7,705,000 fair value loss (six months ended 30 June 2023: HK\$413,000 fair value loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "assets revaluation reserve".

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

OTHER INFORMATION

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

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (CAP 571, Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Long position in the shares of the Company

Name of director	Nature of interest	Total number of ordinary shares of the Company		Approximate percentage of interest in the Company (note 4)
			Total	
Mr. Wong Cho Tung	Corporate interest (note 1)	1,209,084,000	1,209,084,000	56.41%
	Personal interest (note 3)	23,912,000	23,912,000	1.12%
	Total		1,232,996,000	57.53%
Ms. Yeung Man Ying	Corporate interest (note 2)	734,857,000	734,857,000	34.29%
	Personal interest (note 3)	24,234,000	24,234,000	1.13%
	Total		759,091,000	35.42%
Mr. Zhu Qi	Personal interest	225,000	225,000	0.01%



OTHER INFORMATION


Notes:

1. Mr. Wong Cho Tung ("Mr. Wong") controls more than one-third of the voting power of Info Dynasty Group Limited ("Info Dynasty"). Mr. Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Mr. Wong is the sole director of Intellipower Investments Limited ("Intellipower") and Simcom Limited ("Simcom (BVI)") is wholly-owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the 454,227,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) respectively in the Company by virtue of Part XV of the SFO respectively.
2. Ms. Yeung Man Ying ("Mrs. Wong"), the spouse of Mr. Wong, controls more than one-third of the voting power of Info Dynasty. Mrs. Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty by virtue of Part XV of the SFO.
3. 3,098,000 of which are held jointly by Mr. Wong and Mrs. Wong.
4. Calculation of percentage of interest in the Company is based on the issued share capital of 2,143,351,300 shares of the Company as at 30 June 2024.

As at 30 June 2024, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.




OTHER INFORMATION



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


As at 30 June 2024, the interests of the substantial Shareholders and other persons (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:


Long position in the shares of the Company



Name of shareholder	Nature of interest	Total number of ordinary shares of the Company	Approximate percentage of interest in the Company (note 1)
Info Dynasty (note 2)	Personal interest	734,857,000	34.29%
Intellipower (note 3)	Personal interest	454,227,000	21.19%

Notes:

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1. Calculation of percentage of interest in the Company is based on the issued share capital of 2,143,351,300 shares of the Company as at 30 June 2024.
 2. The relationship between Info Dynasty and Mr. Wong and the relationship between Info Dynasty and Mrs. Wong are disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Position in Shares" above.
 3. The relationship between Intellipower and Mr. Wong is disclosed under the paragraph headed "Directors and Chief Executives' Interests and Short Position in Shares" above.



Save as disclosed above, as at 30 June 2024, there is no other substantial Shareholders or persons had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under the section 336 of the SFO.



OTHER INFORMATION

SHARE OPTIONS

No options have been granted by the Company under the Share Option Scheme since its adoption on 1 June 2016. As at 1 January 2024 and 30 June 2024, the number of options available for grant under the Share Option Scheme was 255,789,630 shares, which represent 11.93% of the issued shares of the Company as at the date of this report. No service provider sublimit has been authorised under the Share Option Scheme.

In view of the new requirements under Chapter 17 of the Listing Rules which became effective on 1 January 2023 ("New Share Scheme Rules"), share options shall only be granted under the Share Option Scheme in accordance with and as permitted by the New Share Scheme Rules.

No share option was granted, vested, exercised, cancelled or lapsed under the Share Option Scheme during 1H-2024.

SHARE AWARD SCHEME

On 30 September 2020, the Board adopted a share award scheme ("Share Award Scheme") for the purposes of recognising the contributions by certain employees, directors, and consultants of the Company and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attracting suitable personnel for further development of the Group. The Share Award Scheme was funded by existing shares of the Company. The Share Award Scheme was terminated by the Company on 13 March 2024 ("Termination Date"), having considered the Company's overall policy and the cost and benefit of maintaining the Share Award Scheme. After the Termination Date, no more awarded shares can be granted under the Share Award Scheme.

The total number of the shares awarded pursuant to the Share Award Scheme could not exceed 10% of the total issued share capital of the Company as at its date of adoption (i.e. 236,509,030 shares). In any 12-month period, the maximum number of shares awarded to a selected person could not exceed 1% of the total number of the shares of the Company as at its date of adoption.

OTHER INFORMATION

During 1H-2024, no share award was granted, vested, cancelled or lapsed under the Share Award Scheme.

A total of 41,630,000 shares of the Company were awarded under the Share Award Scheme prior to 1H-2024. Pursuant to Rule 17.07(1) of the Listing Rules, details of the share awards granted to each participant under the Share Award Scheme are disclosed as follows:

Category and name of grantee	Date of grant	Number of awarded shares granted	Vesting period of awarded shares	Purchase price of awarded shares (HK\$)	Number of unvested awarded shares as at 1 January 2024	Number of awarded shares granted during 1H-2024	Number of awarded shares vested during 1H-2024	Number of awarded shares cancelled during 1H-2024	Number of awarded shares lapsed during 1H-2024	Number of unvested awarded shares as at the Termination Date
Directors										
Mr. Wong Cho Tung	14/12/2023	20,814,000 (note 1)	1 day from date of grant	0 (note 2)	0	0	0	0	0	0
Ms. Yeung Man Ying	14/12/2023	20,816,000 (note 1)	1 day from date of grant	0 (note 2)	0	0	0	0	0	0
Total		41,630,000			0	0	0	0	0	0

Notes:

- There was no exercise period for the awarded shares.
- There was no purchase price payable by the grantee for the awarded shares. The awarded shares were transferred to the grantee at nil consideration on the date of vesting.

As at 1 January 2024 and the Termination Date, no shares were held under the Share Award Scheme (as at 30 June 2023: 41,630,000 shares) and the number of awards available for grant under the mandate of the Share Award Scheme was 194,879,030 shares.

Save as disclosed above, at no time during 1H-2024 was the Company or any of its subsidiaries a party to any arrangements that would enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and save as disclosed in this report, none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during 1H-2024.

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.



OTHER INFORMATION

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 Listing Rules, 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, 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 as set out in Appendix C3 to the Listing Rules as its own code for securities transactions. All Directors confirmed, following specific enquiry by the Company with all Directors, that each of them had fully complied with the required standard as set out in the Model Code during 1H-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 but not audited by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.





CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Mr. WONG Cho Tung (*Chairman*)

Ms. YEUNG Man Ying

Mr. ZHU Wenhui

Mr. ZHU Qi

Non-executive Director

Mr. WONG Hei, Simon

Independent non-executive Directors

Mr. LIU Hing Hung

Mr. LI Minbo

Mr. YANG Wentao

AUDIT COMMITTEE

Mr. LIU Hing Hung (*Chairman*)

Mr. LI Minbo

Mr. YANG Wentao

REMUNERATION COMMITTEE

Mr. LIU Hing Hung (*Chairman*)

Mr. LI Minbo

Mr. YANG Wentao

Mr. WONG Cho Tung

NOMINATION COMMITTEE

Mr. LIU Hing Hung (*Chairman*)

Mr. LI Minbo

Mr. WONG Cho Tung

COMPANY SECRETARY

Ms. CHAN Chi Yin

AUDITORS

Certified Public Accountants

Registered public interest entity auditors

Deloitte Touche Tohmatsu

LEGAL ADVISER AS TO HONG KONG LAWS

LCH Lawyers LLP

PRINCIPAL BANKERS

Hang Seng Bank Limited

Shanghai Pudong Development Bank

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Bermuda

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Kwun Tung

Hong Kong

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Changning District

Shanghai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Pembroke

Bermuda

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STOCK CODE

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