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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (“**Board**”) of directors (“**Directors**”) of SIM Technology Group Limited (“**Company**”) hereby announces the audited consolidated results of the Company and its subsidiaries (“**Group**”) for the year ended 31 December 2020 (“**Year**”) together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December	
		2020 <i>HK\$’000</i> Audited	2019 <i>HK\$’000</i> Audited (restated)
Continuing operations			
Revenue	3	938,333	1,155,018
Cost of sales and services		<u>(820,370)</u>	<u>(1,032,508)</u>
Gross profit		117,963	122,510
Other income	5	33,148	32,508
Impairment losses under expected credit loss model, net of reversal		(6,937)	(27,326)
Other gains and losses	6	9,723	2,507
Research and development expenses		(66,081)	(56,215)
Selling and distribution costs		(41,855)	(55,886)
Administrative expenses		(91,815)	(88,834)
Share of results of associates		(497)	(2,003)
Finance costs	7	<u>(4,154)</u>	<u>(3,282)</u>

	<i>Notes</i>	Year ended 31 December	
		2020	2019
		HK\$'000	HK\$'000
		Audited	Audited
			(restated)
Loss before taxation		(50,505)	(76,021)
Taxation	8	7,516	19,393
Loss for the year from continuing operation	9	(42,989)	(56,628)
Discontinued operations			
Loss for the year from discontinued operations		(4,204)	(18,233)
Loss for the year		(47,193)	(74,861)
Loss attributable to the owners of the Company			
From continuing operations		(36,452)	(58,526)
From discontinued operations		(1,871)	(18,412)
		(38,323)	(76,938)
(Loss) profit attributable to non-controlling interests			
From continuing operations		(6,537)	1,897
From discontinued operations		(2,333)	180
		(8,870)	2,077
Total (loss) profit for the year attributable to:			
Owners of the Company		(38,323)	(76,938)
Non-controlling interests		(8,870)	2,077
		(47,193)	(74,861)
Loss per share (HK cents)	11		
From continuing and discontinued operations			
Basic		(1.61)	(3.11)
Diluted		(1.61)	(3.11)
From continuing operations			
Basic		(1.53)	(2.37)
Diluted		(1.53)	(2.37)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited (restated)
Loss for the year	<u>(47,193)</u>	<u>(74,861)</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	40,642	84,486
Fair value (loss) gain on investment in equity instrument at fair value through other comprehensive income	(315)	15,609
Deferred tax relating to items that will not be reclassified to profit or loss	(9,329)	(25,024)
Exchange difference arising on translation to presentation currency	<u>69,912</u>	<u>(13,308)</u>
Other comprehensive income	<u>100,910</u>	<u>61,763</u>
Total comprehensive income (expense) for the year	<u><u>53,717</u></u>	<u><u>(13,098)</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	59,191	(14,663)
Non-controlling interests	<u>(5,474)</u>	<u>1,565</u>
	<u><u>53,717</u></u>	<u><u>(13,098)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 HK\$'000 Audited	2019 <i>HK\$'000</i> Audited
Non-current assets			
Investment properties		718,572	608,388
Property, plant and equipment		234,451	267,712
Right-of-use assets		70,019	55,098
Goodwill		–	–
Intangible assets		66,455	116,704
Deferred tax assets		54,029	44,092
Finance lease receivables		–	188
Interest in associates		32,548	6,647
Equity instruments at fair value through other comprehensive income		12,382	669
Other receivables		6,600	7,412
Consideration receivables		3,600	4,043
		1,198,656	1,110,953
Current assets			
Inventories		219,575	250,771
Finance lease receivables		–	169
Properties held for sale		9,601	12,711
Trade and notes receivables	<i>12</i>	116,138	282,462
Contract assets		–	11,201
Other receivables, deposits and prepayments		240,232	230,478
Consideration receivables		26,832	1,857
Amount due from an associate		17,161	–
Amounts due from non-controlling shareholders of subsidiaries		4,248	4,496
Financial assets at fair value through profit or loss		13,784	22,512
Pledged bank deposits		5,857	31,226
Short-term bank deposits		281,617	296,380
Bank balances and cash		667,935	611,714
		1,602,980	1,755,977

		2020	2019
		HK\$'000	HK\$'000
	<i>Notes</i>	Audited	Audited
Current liabilities			
Trade and notes payables	13	199,504	224,322
Contract liabilities		129,615	202,255
Deposits from tenants		1,348	1,092
Other payables, deposits received and accruals		36,282	43,315
Bank borrowings		36,000	77,936
Lease liabilities		8,764	6,319
Tax payable		36,606	40,224
		<u>448,119</u>	<u>595,463</u>
Net current assets		<u>1,154,861</u>	<u>1,160,514</u>
Total assets less current liabilities		<u>2,353,517</u>	<u>2,271,467</u>
Capital and reserves			
Share capital		236,254	243,072
Reserves		1,896,148	1,849,269
Equity attributable to owners of the Company		2,132,402	2,092,341
Non-controlling interests		15,463	18,330
Total equity		<u>2,147,865</u>	<u>2,110,671</u>
Non-current liabilities			
Deposits from tenants		15,797	9,866
Lease liabilities		25,075	2,865
Deferred tax liabilities		126,465	112,413
Deferred income		38,315	35,652
		<u>205,652</u>	<u>160,796</u>
		<u>2,353,517</u>	<u>2,271,467</u>

NOTES TO THE 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, carrying out IOT system and online-to-offline (O2O) 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs for the first time in the current year:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and 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.

2.1 Impact on application of amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impact on application of amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2.3 Impact on application of amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from one to six months waiver of lease payments on several leases. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of HK\$79,000, which has been recognised as variable lease payments in profit or loss for the current year.

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 ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

The Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Continuing operations

Segments	For the year ended 31 December 2020			
	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property management <i>HK\$'000</i>
Types of goods or services				
Sale of handsets and IOT terminals	586,079	–	–	–
Electronics manufacturing services	–	74,928	–	–
Sale of goods to vending machine customers	–	–	193,639	–
Procurement agency service	–	–	34,399	–
Property rental	–	–	–	49,288
Total	586,079	74,928	228,038	49,288
Timing of revenue recognition				
At a point in time	586,079	–	228,038	N/A
Over time	–	74,928	–	N/A
Total	586,079	74,928	228,038	N/A

Continuing operations

Segments	For the year ended 31 December 2019 (re-presented)				
	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>
Types of goods or services					
Sale of handsets and IOT terminals	749,670	–	–	–	–
Electronics manufacturing services	–	92,960	–	–	–
Sale of goods to vending machine customers	–	–	233,700	–	–
Equipment finance lease service	–	–	86	–	–
Procurement agency service	–	–	26,703	–	–
Sale of properties	–	–	–	8,823	–
Property rental	–	–	–	–	43,076
Total	749,670	92,960	260,489	8,823	43,076
Timing of revenue recognition					
At a point in time	749,670	–	260,403	8,823	N/A
Over time	–	92,960	–	–	N/A
Total	749,670	92,960	260,403	8,823	N/A

Geographical markets

Continuing operations

	For the year ended 31 December 2020			
	Electronics			Property management <i>HK\$'000</i>
	Handsets and IOT terminals business <i>HK\$'000</i>	manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	
The PRC	237,377	74,928	228,038	49,288
Europe	40,774	–	–	–
United States	107,071	–	–	–
Hong Kong	19,627	–	–	–
Other Asian countries	181,230	–	–	–
	<u>586,079</u>	<u>74,928</u>	<u>228,038</u>	<u>49,288</u>

Continuing operations

	For the year ended 31 December 2019 (re-presented)				
	Electronics				Property management <i>HK\$'000</i>
	Handsets and IOT terminals business <i>HK\$'000</i>	manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	
The PRC	282,318	92,960	260,489	8,823	43,076
Europe	135,146	–	–	–	–
United States	128,185	–	–	–	–
Hong Kong	5,642	–	–	–	–
Other Asian countries	198,379	–	–	–	–
	<u>749,670</u>	<u>92,960</u>	<u>260,489</u>	<u>8,823</u>	<u>43,076</u>

(ii) Performance obligations for contracts with customers

Sale of handsets and IOT terminals, own-branded products manufacturing and sale of goods to vending machine customers

For the sale of handsets and IOT terminals, own-branded products manufacturing and sale of goods to vending machine customers, 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.

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.

Procurement agency service

In the provision of procurement agency service, revenue is recognised when the agency service has been completed, being when the goods have been shipped to the customer's specific location (delivery). The normal credit term is 0-90 days.

Sale of properties

Revenue from sale of properties is recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

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

All sale of handsets and IOT terminals, own-branded products manufacturing, electronics manufacturing services, sale of goods to vending machine customers, procurement agency service and sale of properties are for periods of one year or less.

(iv) Leases

	For the year ended 31 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000
For operating lease:		
Lease payments that are fixed	49,288	43,076
For finance leases:		
Finance income on the net investment in the lease	—	86
Total revenue arising from leases	<u>49,288</u>	<u>43,162</u>

For the year ended 31 December 2020, the Group recognised approximately HK\$47,079,000 (2019: HK\$42,023,000) selling profit, being the difference between gross rental income and direct operating expenses, as a property and vending machine 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 current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. In the prior year, the Group was organised into six 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”), Intelligent manufacturing business, Property development and Property management.

In accordance with the way in which information is now reported internally to the CODM for purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the financial information of the Group’s “Property development” segment is no longer a part of an reportable segment.

In addition, an operating segment, namely intelligent manufacturing business, was discontinued during the year ended 31 December 2020. Upon the disposal of 51% equity interest of 上海璣智自動化科技有限公司 (unofficial English name being Shanghai Jizhi Automation Technology Co., Limited (“**Shanghai Jizhi**”)), the Group discontinued its intelligent manufacturing business during the year ended 31 December 2020. 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
- IOT system and O2O 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 2020

Continuing operations

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O 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>228,038</u>	<u>49,288</u>	<u>938,333</u>
Segment (loss) profit	<u>(57,993)</u>	<u>613</u>	<u>(15,815)</u>	<u>10,186</u>	<u>(63,009)</u>
Other income and other gains and losses					32,563
Share of results of associates					(497)
Corporate expenses					(15,408)
Finance costs					<u>(4,154)</u>
Loss before taxation					<u>(50,505)</u>

For the year ended 31 December 2019 (re-presented)

Continuing operations

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	<u>749,670</u>	<u>92,960</u>	<u>260,489</u>	<u>8,823</u>	<u>43,076</u>	<u>1,155,018</u>
Segment (loss) profit	<u>(50,867)</u>	<u>1,448</u>	<u>(13,211)</u>	<u>(2,928)</u>	<u>37,959</u>	<u>(27,599)</u>
Other income and other gains and losses						(27,539)
Share of results of associates						(2,003)
Corporate expenses						(15,597)
Finance costs						<u>(3,282)</u>
Loss before taxation						<u>(76,020)</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 (2019: 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 2020

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	599,594	152,980	69,420	762,683	1,584,677
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
Consolidated assets					<u>2,801,636</u>
Segment liabilities	386,532	23,303	8,408	7,026	425,269
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
Consolidated liabilities					<u>653,771</u>

At 31 December 2019 (Re-presented)

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	657,760	174,595	108,110	17,634	631,693	1,589,792
Assets relating to discontinued operation						174,523
Property, plant and equipment						54,382
Right-of-use assets						24,945
Deferred tax assets						44,092
Interests in associates						6,647
Equity instruments at FVTOCI						669
Financial assets at FVTPL						22,512
Amounts due from non-controlling shareholders of subsidiaries						4,496
Other receivables, deposits and prepayments						5,552
Pledged bank deposits						31,226
Short-term bank deposits						296,380
Bank balances and cash						611,714
Consolidated assets						<u>2,866,930</u>
Segment liabilities	368,890	39,717	17,022	9,791	7,026	442,446
Liabilities relating to discontinued operation						66,156
Other payables and accruals						17,084
Bank borrowings						77,936
Tax payable						40,224
Deferred tax liabilities						112,413
Consolidated liabilities						<u>756,259</u>

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 an associate and non-controlling shareholders of subsidiaries (2019: 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 IOT system and O2O business and 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 (2019: certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities), and
- Certain properties held for sale, trade and note receivables, contract assets, trade payable, contract liabilities are unallocated since property development is no longer classify as reportable segment and the operations of intelligent manufacturing business segment is discontinued during the year.

Other segment information

For the year ended 31 December 2020

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations						
Amounts included in the measure of segment profit or loss or segment assets:						
Additions of property, plant and equipment	4,525	7,812	4,361	–	105	16,803
Additions of intangible assets	51,875	–	171	–	–	52,046
Depreciation of property, plant and equipment	23,325	7,501	963	2,555	4,946	39,290
Amortisation of intangible assets	66,522	–	22	–	–	66,544
Depreciation of right-of-use assets	1,759	–	2,769	4,976	–	9,504
Impairment losses on trade receivables recognised in profit or loss	6,556	–	–	–	–	6,556
Impairment losses on intangible assets	19,000	–	–	–	–	19,000
Impairment losses on finance lease receivables	–	–	381	–	–	381
Reversal of allowance of inventories	(28,699)	–	–	–	–	(28,699)
(Gain) loss on disposal of property, plant and equipment	(369)	(228)	(22)	–	2	(617)
Decrease in fair value of investment properties	–	–	–	(14,914)	–	(14,914)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(14,914)</u>	<u>–</u>	<u>(14,914)</u>

For the year ended 31 December 2019 (re-presented)

	Handsets and IOT terminals business <i>HK\$'000</i>	Electronics manufacturing services business <i>HK\$'000</i>	IOT system and O2O business <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Continuing operations							
Amounts included in the measure of segment profit or loss or segment assets:							
Additions of property, plant and equipment	8,596	21,026	167	-	-	-	29,789
Additions of intangible assets	58,925	-	-	-	-	-	58,925
Depreciation of property, plant and equipment	18,482	9,009	1,424	8	1,571	4,543	35,037
Amortisation of intangible assets	59,106	-	120	-	-	-	59,226
Depreciation of right-of-use assets	4,012	622	3,669	-	173	1,166	9,642
Impairment losses on goodwill	3,706	-	-	-	-	-	3,706
Impairment losses on property, plant and equipment	1,315	-	-	-	-	-	1,315
Impairment losses on trade receivables recognised in profit or loss	1,039	-	-	-	-	-	1,039
Impairment losses on entrusted loan receivable recognised in profit or loss	-	-	-	-	-	26,287	26,287
Allowance of inventories	8,075	-	-	-	-	-	8,075
Loss (gain) on disposal of property, plant and equipment	394	(18)	(4)	45	-	(12)	405
Increase in fair value of investment properties	-	-	-	-	12,779	-	12,779

Geographical information

The Group's operations are located in the PRC (country of domicile), Europe, United States, Hong Kong and other Asian countries.

Information about the Group's revenue from continuing operations from external customers is presented based on the location from which the revenue is generated. 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 2020	Year ended 2019	Year ended 2020	Year ended 2019
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
The PRC	589,631	687,666	1,015,923	916,320
Europe	40,774	135,146	–	–
United States	107,071	128,185	–	–
Hong Kong	19,627	5,642	–	–
Other Asian Countries	181,230	198,379	–	–
	938,333	1,155,018	1,015,923	916,320

Note:

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

5. OTHER INCOME

	2020	2019
	HK\$'000	HK\$'000 (restated)
Continuing operations		
Refund of Value Added Tax ("VAT")	1,264	2,330
Government grants	13,267	12,781
Interest income earned on bank balances	17,673	16,857
Interest income earned on consideration and other receivables	944	540
	33,148	32,508

6. OTHER GAINS AND LOSSES

2020	2019
<i>HK\$'000</i>	<i>HK\$'000</i>
	(restated)

Continuing operations

Impairment losses:

– Goodwill	–	(3,706)
– Property, plant and equipment	–	(1,315)
– Finance lease receivable	(381)	–
Write-off of account due from an associate	–	(4,400)
Write-off of amount due from non-controlling shareholders of subsidiaries	(4,496)	–
Gain (loss) on disposal of property, plant and equipment	617	(405)
Gain arising on early termination of lease contracts	81	13
Net foreign exchange gain (loss)	13,583	(13,931)
Changes in fair values of investment properties	(14,914)	12,779
Net gain from disposal of subsidiaries	5,613	–
Gain on revaluation of retained interest in an associate	2,719	–
Fair value change on financial assets at FVTPL	101	4,234
Gain on disposal of an associate	–	1,660
Others	6,800	7,578
	9,723	2,507

7. FINANCE COSTS

2020	2019
<i>HK\$'000</i>	<i>HK\$'000</i>
	(restated)

Continuing operations

Interests on bank borrowings	1,769	2,636
Interests on bank liabilities	2,385	646
	4,154	3,282

8. TAXATION

2020	2019
<i>HK\$'000</i>	<i>HK\$'000</i>
	(restated)

Continuing operations

PRC Enterprise Income Tax (“EIT”)	(3,811)	(10,486)
Land appreciation tax in the PRC	(12)	(354)
Overprovisions on PRC LAT in previous years	132	20,808
	(3,691)	9,968
Deferred tax income for current year	11,207	9,425
	7,516	19,393

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

	2020 HK\$'000	2019 HK\$'000 (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)	66,544	59,226
Less: Amount capitalised in development costs	(601)	(830)
Less: Amount capitalised in inventories	(65,943)	(58,396)
	–	–
Impairment loss recognized in respect of intangible assets (included in cost of sales and services)	19,000	21,072
Depreciation of property, plant and equipment	39,290	35,037
Less: Amount capitalised in development costs	(2,037)	(3,348)
Less: Amount capitalised in inventories	(26,210)	(27,484)
	11,043	4,205
Depreciation of right-of-use assets	9,504	9,642
Covid-19 related rent concessions	79	–
(Reversal) allowance of inventories (included in cost of sales and services)	(28,699)	8,075
Costs of inventories recognised as an expense (included in cost of sales and services)	753,801	937,207
Costs of properties sold (included in cost of sales and services)	–	6,709
Costs of manufacturing services (included in cost of sales and services)	72,210	88,592
Staff costs:		
Directors' emoluments	2,339	2,474
Other staff costs		
– Salaries and other benefits	156,000	177,129
– Retirement benefits scheme contributions	20,512	47,181
	178,851	226,784
Less: Amount capitalised in development costs	(53,020)	(60,664)
Less: Amount capitalised in inventories	(18,730)	(22,861)
	107,101	143,259

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.

10. DIVIDENDS

For the year ended 31 December 2019, a special dividend of HK1 cent per share was declared and paid to the owners of the Company. The aggregate amount of special dividends declared and paid in 2019 amounted to HK\$24,993,000.

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2020 and 2019.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss figures are calculated as follow:		
Loss for the year attributable to owners of the Company	(38,323)	(76,938)
Add: Loss for the year from discontinued operations	<u>1,871</u>	<u>18,412</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u><u>(36,452)</u></u>	<u><u>(58,526)</u></u>
	2020 <i>'000</i>	2019 <i>'000</i>

Number of shares

Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>2,386,582</u></u>	<u><u>2,471,407</u></u>
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For the year ended 31 December 2020 and 2019, 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted per share	<u><u>(38,323)</u></u>	<u><u>(76,938)</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 HK 0.08 cents per share (2019: HK 0.74 cents per share), based on the loss for the year from the discontinued operations of approximately HK\$1,900,000 (2019: HK\$18,400,000) and the denominators detailed above for both basic and diluted loss per share.

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 both 2020 and 2019.

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 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
0 – 30 days	50,795	184,216
31 – 60 days	28,060	41,753
61 – 90 days	7,444	15,293
91 – 180 days	6,427	14,893
Over 180 days	30,744	48,061
	<u>123,470</u>	<u>304,216</u>
Less: Allowance for credit losses	<u>(26,490)</u>	<u>(28,387)</u>
Trade receivables	<u>96,980</u>	<u>275,829</u>
Notes receivables (<i>Note</i>)		
0 – 30 days	–	726
31 – 60 days	7,577	1,619
61 – 90 days	2,936	55
91 – 180 days	8,446	4,009
Over 180 days	199	224
	<u>19,158</u>	<u>6,633</u>
	<u><u>116,138</u></u>	<u><u>282,462</u></u>

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	129,913	149,035
31 – 60 days	1,884	19,724
61 – 90 days	5,899	2,636
Over 90 days	<u>47,167</u>	<u>47,858</u>
	184,863	219,253
Notes payables		
0-30 days	<u>14,641</u>	<u>5,069</u>
	<u><u>199,504</u></u>	<u><u>224,322</u></u>

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 Shareholders (both days inclusive)	31 May 2021 (Monday) to 3 June 2021 (Thursday)
Latest time to lodge transfers	4:30 p.m. on 28 May 2021 (Friday)
Record date	3 June 2021 (Thursday)
AGM	3 June 2021 (Thursday)

During the period of the closure of register of Shareholders, 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, 3 June 2021. 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 2020, the spread of COVID-19 around the world has wreaked havoc on global economies. Production was unable to resume in the first quarter due to the pandemic, thereby causing stagnation of the Group’s business operation. However, business gradually improved in the second quarter and it managed to deliver the backlog of orders. Due to the inability of many countries to bring the pandemic under effective control, this has inflicted a huge adverse impact on the Group’s overseas business, with some projects delayed or even cancelled. With the tight supply of core components, such as upstream chips and displays, and with the delays in the delivery schedule in the second half of the year, some orders encountered extended cycles of material preparation and were not delivered during the year, thereby affecting sales revenue for the year.

In 2020, the Group posted revenue of HK\$938.3 million from continuing operations and net loss attributable to the owners of the Company from continuing operations of HK\$36.5 million. Except for the Group’s electronics manufacturing services (EMS) business and property management business which recorded a profit, the Group’s remaining businesses suffered a loss. Centralizing resources for business development expansion of the handsets and IOT terminals business has become the Group’s medium and long-term goal. During the year ended 31 December 2020, the Group completed the disposal of its 51% equity interest in Shanghai Jizhi Automation Technology Co., Limited (“**Shanghai Jizhi**”), which was a core company within the intelligent manufacturing business. Subsequent to the reporting period, the Group also entered into an agreement to dispose of its 98.7% equity interest in Shanghai Yunhao Trading Limited, a core company within the IOT system and O2O business segment, thus withdrawing entirely from the offline segment of the IOT system and O2O business after completion of the disposal.

Handsets and IOT terminals business

In 2020, revenue of this business segment amounted to HK\$586.1 million, representing a 21.8% decline from the level during the same period last year. Gross profit was HK\$61.6 million, representing a year-on-year growth of 8.7%. Gross profit margin was 10.5%, representing a year-on-year increase of 2.9 percent point. As the Group’s total inventory level significantly reduced this year, the related inventory provision has been reversed, resulting in an increase in gross profit margin this year. Revenue was lower than expected as the conclusion of new projects became impossible due to cessation of international travel to China for project negotiations amid the severe COVID-19 pandemic across the world. Another major factor was the non-delivery of a significant portion of customers’ orders by the end of the year due to rising components prices as the upstream supply chain was adversely affected by the pandemic and the supply and demand status.

With the new management team and a change in operating philosophy, centralizing resources for the development of the handsets and IOT terminals business in scale and strength has become the Group's medium to long-term goal. As for the IOT industry application market, the Group has further developed various intelligent terminal markets, including barcode recognition device, mobile point-of-sale (POS) information system, industrial-grade augmented reality (AR) glasses, intercom network terminals, tablets and intelligent wearable devices and other intelligent terminal markets. In addition to capturing huge business opportunities in the 5G handset market, the Group has also enhanced its capabilities in research and development (R&D) technology and supply chain delivery via its handset original design manufacturer (ODM) business. Looking ahead, the Group will pay close attention to market opportunities in data communication products, such as Wi-Fi 6 and customer premise equipment (CPE).

In 2021, the Group will allocate more resources to the handsets and IOT terminals business and enrich its product portfolio so as to provide more diversified products and services to existing customers as well as secure more quality handset and IOT industry customers. The Group also plans to realize its goal of moving the supply chain operation center to Southern China within the year. Such move will enhance the Group's supply chain capability, helping it lower material costs and ensure timely and complete material delivery.

Electronics manufacturing services business

The EMS business segment achieved sales revenue of HK\$74.9 million in 2020, representing a year-on-year decrease of 19.4%. Gross profit also declined by 37.8% year-on-year to HK\$2.7 million. As a result of intense market competition and requests for price reduction by customers, gross profit margin of the EMS business continued to decline to 3.6%. The notable decrease in sales revenue was due to the pandemic which hindered timely production and work resumption of plants, and weaker demand from key customers which led to a substantial reduction in orders during the reporting period.

The Group's overall strategy for the EMS business remains unchanged. In addition to maintaining good relations with its existing EMS clients, it will also explore new clients and new processing product categories, as well as step up its investment in the deployment of automation and intelligence in its production operation so as to lower labor costs and improve product quality control.

Internet of things system and online-to-offline business

This business segment generated sales revenue of HK\$228.0 million in 2020, a 12.5% decrease compared with the last corresponding period. Gross profit also declined by 62.0% year-on-year to HK\$6.6 million. During the reporting period, the Group continued to streamline the offline business of its O2O automated vending machine platform and subsequent to the reporting period, it entered into an agreement to dispose of 98.7% equity interest in Shanghai Yunhao Trading Limited, making the complete exit of all of its offline business from this segment after completion of the disposal. The Group plans to integrate the Internet of things system business with the IOT terminals business in order to provide "cloud + terminal" one-stop solutions to customers.

Intelligent manufacturing business

After years of development, the Group has built considerable scale for its intelligent manufacturing business, as well as a leading advantage in the automated testing of robots for industrial use. However, the pace of development remains unsatisfactory as market demand has become saturated. To invigorate the potential of the management team of the intelligent manufacturing segment, the Group has invested new resources in the expansion of other markets. Therefore, during the reporting period, the Group disposed of its 51% equity interest in Shanghai Jizhi. After the disposal, the Group no longer has control of the company but it continues to maintain a 49% equity interest in the company to generate investment returns. The Group believes such arrangement will help create greater value.

Property development

For the year ended 31 December 2020, only an insignificant amount of properties remaining was sold and delivered. Therefore, pursuant to a reorganization of the Group's internal reporting structure which resulted in changes to the composition of its reportable segments, the Group's property development segment is no longer a reportable segment.

Property management

For the year ended 31 December 2020, the revenue of property management was mainly derived from the leasing of SIM Technology Building Block A and Block B in Shanghai, factory units in Shanghai and Shenyang and commercial properties in Shenyang. A total area of approximately 72,000 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 2020 amounted to HK\$49.3 million (2019: HK\$43.1 million) with a gross profit margin of 95.5% (2019: 97.4%).

Prospects

During the reporting period, the management formulated medium to long-term development strategies by adhering to the operating philosophies of its core businesses. The Group divested its non-core business which performed below expectation, and it focused on developing its core businesses, namely its handset and IOT terminals businesses. In addition to securing more terminal customers in China, the Group has strived to develop other major markets, including Europe, the US and Japan. On the development of overseas markets at this stage, the Group is exploring business opportunities through its own sales team and distributor network. While developing the IOT terminal business, it also seized opportunities in the ODM business of 5G smartphones so as to retain economies of scale and strengthen the competitiveness of its supply chain.

As disclosed in the Company's announcement date 26 January 2021, the Group is planning on the constriction of production facilities in Dongguan. The plan has proceeded smoothly, and the technological and industrial park will become the Group's supply chain and manufacturing center in the Greater Bay Area after its completion, and it will help the Group to achieve its strategic goals.

Faced with an extremely challenging external environment, the management and staff at all levels share a common and clear goal and the ambition to start a new chapter of business. We believe the Group is set to replicate its success and emerge as the leading IOT products and service provider.

FINANCIAL REVIEW OF CONTINUING OPERATIONS

For the year ended 31 December 2020, the revenue from handsets and IOT terminals business, EMS business and IOT system and O2O business (“**Core Business**”) decreased by 19.4% to HK\$889.0 million (2019: HK\$1,103.1 million). The revenue from the sale of residential properties and property management (together “**Non-core Business**”) decreased by 5.0% to HK\$49.3 million in 2020 as compared with that in 2019 (2019: HK\$51.9 million). The total revenue of the Group for the Year, including revenue of Core Business and Non-core Business, amounted to HK\$938.3 million (2019: HK\$1,155.0 million).

The gross profit for Core Business of the Group for the Year decreased by 9.7% year-on-year to HK\$70.9 million (2019: HK\$78.5 million). The gross profit margin for Core Business increased to 8.0% (2019: 7.1%) and the gross profit margin for Non-core Business increased to 95.5% (2019:84.9%) The overall gross profit margin of the Group for the Year was 12.6% (2019: 10.6%).

As a result of the decrease in revenue in 2020, an one-off reversal of provision in relation to inventory and an absence of an one-off provision on the entrusted loan receivable in 2020, the Group recorded a loss attributable to owners of the Company from continuing operations of HK\$36.5 million (2019: HK\$58.5 million) for the Year. The basic loss per share from continuing operations for the Year was HK1.53 cents (2019: HK2.37 cents).

Research and development expenses from continuing operations

In 2020, the Group mainly focused on the development of handsets and IOT terminals business. The number of design and development team members was 226 in 2020 (2019: 540). Total R&D expenses of the Group, which amounted to HK\$66.1 million (2019: HK\$56.2 million), represented 7.0% (2019: 4.9%) of the Group's revenue.

Selling and distribution costs from continuing operations

The selling and distribution costs of the Group for the Year decreased by 25.1% to HK\$41.9 million (2019: HK\$55.9 million). The ratio of the selling and distribution costs over revenue in 2020 was 4.5% (2019: 4.8%).

Administrative expenses from continuing operations

The Group's administrative expenses for 2020 increased by 3.4% to HK\$91.8 million (2019: HK\$88.8 million), representing 9.8% (2019: 7.7%) of the revenue.

Segment results of Core Business

	Year ended 31 December 2020			Year ended 31 December 2019		
	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %
Handsets and IOT terminals business	586.1	61.6	10.5	749.6	56.6	7.6
EMS business	74.9	2.7	3.6	93.0	4.4	4.7
IOT system and O2O business	228.0	6.6	2.9	260.5	17.5	6.7
Total	<u>889.0</u>	<u>70.9</u>	<u>8.0</u>	<u>1,103.1</u>	<u>78.5</u>	<u>7.1</u>

Handsets and IOT terminals business

The revenue of this segment decreased year-on-year by 21.8% to HK\$586.1 million (2019: HK\$749.6 million) in 2020. The drop in revenue was due to the cessation of international travel to China for project negotiations amid the severe COVID-19 pandemic across the world and the non-delivery of a significant portion of customers' orders by the end of the year due to rising components prices, The upstream supply chain was adversely affected by the COVID-19 pandemic and the supply and demand status. The overall gross profit margin of this business segment increased slightly to 10.5% (2019: 7.6%) for the Year. The revenue of ODM business contributed to approximately 91% of the revenue of this segment in 2020 (2019: 89%).

EMS business

Due to the COVID-19 pandemic which hindered the timely production and work resumption of plants, and weaker demand from key customers which led to a substantial reduction in orders during the same period, the revenue of this segment decreased year-on-year by 19.4% to HK\$74.9 million (2019: HK\$93.0 million). In addition, due to fierce competition in the EMS business and requests for price reduction by customers, gross profit decreased year-on-year to HK\$2.7million (2019: HK\$4.4 million).

IOT system and O2O business

During the reporting period, the Group continued to streamline the offline business of its O2O automated vending machine platform. The revenue of this segment recorded HK\$228.0 million (2019: HK\$260.5 million) and the gross profit margin decreased to 2.9% (2019: 6.7%).

Disposal of intelligent manufacturing business

During the year ended 31 December 2020, the Group completed the disposal of 51% equity interest in Shanghai Jizhi and remained to hold 49% equity interest in Shanghai Jizhi. A gain on disposal of HK\$5.6 million was recorded in the year. Further information relating to such disposal are set out in the section headed "Material Acquisition and Disposal of Subsidiaries and Associates Companies" below.

For the purpose of presenting the consolidated financial statements of the Group for the year ended 31 December 2020 and 2019, the financial information of the intelligent manufacturing business was presented as discontinued operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2020, the Group had bank balances and cash of HK\$667.9 million (31 December 2019: HK\$611.7 million), among which 69.2% was held in US dollars, 30.7% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term deposits of HK\$281.6 million (31 December 2019: HK\$296.4), among which 74.4% was held in US dollars and 25.6% was held in Renminbi. As at 31 December 2020, the Group also had pledged bank deposits of HK\$5.9 million (31 December 2019: HK\$31.2 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 certain of its assets (including investment properties, property, plant and equipment, right-of-use assets and pledge bank deposits) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$36.0 million as at 31 December 2020 (31 December 2019: HK\$77.9 million), all of which was denominated in Renminbi. All of the bank borrowings were at floating interest rates and repayable within one year.

Operating Efficiency

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

	2020	2019
	Days	Days
		(restated)
Inventory turnover period	96	95
Trade and notes receivables turnover period	65	65
Trade and notes payables turnover period	104	75

The inventory turnover period and trade and note receivables turnover period remained relatively stable in year 2020 and 2019.

As affected by the COVID-19 pandemic, certain creditor's repayment schedules had been slowed down during the Year as compared to that of year 2019. As a result, the trade and notes payables turnover days increased for the Year as compared to that of year 2019.

As at 31 December 2020, the current ratio, calculated as current assets over current liabilities, was 3.6 times (31 December 2019: 2.9 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 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, bank balances and bank borrowings are denominated in US dollars, therefore exposing the Group to the currency risk of US dollars. As at 31 December 2020, 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 exposures in US dollars when necessary.

CAPITAL STRUCTURE

As at 31 December 2020, the Company had 2,362,546,300 ordinary shares of HK\$0.10 each in issue.

The Company has issued 4,000 ordinary shares of HK\$0.10 each upon exercise of share options of the Company during the Year.

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

CASH FLOW STATEMENT HIGHLIGHTS

	2020	2019
	<i>HK\$' million</i>	<i>HK\$' million</i>
Net cash from operating activities	185.3	480.7
Capital expenditure	(23.3)	(31.8)
Development costs paid	(68.4)	(104.6)
Net decrease in bank borrowings	(44.6)	(11.7)
Proceeds from disposal of property, plant and equipment	1.2	8.4
Bank interest paid	(1.8)	(2.6)
Dividend paid	–	(25.0)
Cash transferred to non-controlling interest of a subsidiary upon share reduction in registered capital of a subsidiary that does not result in losing control	–	(45.4)
Purchase of equity instruments at FVTOCI	(11.3)	(1.1)
Proceeds from disposal of equity instruments at FVTOCI	–	42.8
Decrease in other liabilities	–	(29.5)
Repayment of lease liabilities	(9.0)	(8.3)
Repurchase of shares	(17.8)	(27.0)
Net cash inflow on disposal of a subsidiary	2.8	–
Net cash outflow on acquisition of a subsidiary	–	(18.4)
Others	3.0	7.5
	<hr/>	<hr/>
Net increase in cash and cash equivalents (including pledged bank deposits and short-term bank deposit)	16.1	234.0
	<hr/> <hr/>	<hr/> <hr/>

GEARING RATIO

As at 31 December 2020, the total assets value of the Group was HK\$2,801.6 million (31 December 2019: HK\$2,866.9 million) and the bank borrowings was HK\$36.0 million (31 December 2019: HK\$77.9 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 1.3% (31 December 2019: 2.7%).

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 December 2020, 上海晨興希姆通電子科技有限公司(Shanghai Sunrise Simcom Limited*) (“**Shanghai Sunrise**”), an indirect wholly-owned subsidiary of the Company, entered into the sales and purchase agreements with 上海佰旒企業管理合夥企業(有限合夥)(Shanghai Bai Ni Enterprise Management Partnership (Limited Partnership)*) (“**Shanghai Bai Ni**”) and 上海聯鋅鋇企業管理合夥企業(有限合夥)(Shanghai Lianxincheng Enterprise Management Partnership (Limited Partnership)*) (“**Shanghai Lianxincheng**”) respectively, pursuant to which Shanghai Sunrise conditionally agreed to sell and Shanghai Ba Ni and Shanghai Lianxincheng conditionally agreed to purchase in aggregate 51% equity interest of 上海璣智自動化科技有限公司 (Shanghai Jizhi Automation Technology Co., Limited*) at a total consideration of RMB26,667,900. The disposal was completed during the year ended 31 December 2020.

Further details of the above mentioned disposal are disclosed in the announcement of the Company dated 23 December 2020.

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 2020, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 31 December 2020, the Group had approximately 1,149 (2019: 1,629) 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\$178.9 million from continuing operations (2019: HK\$226.8 million) during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 12 months ended 31 December 2020, the Company repurchased 68,182,000 shares of the Company on the Stock Exchange and the shares repurchased were cancelled subsequently. Details of the repurchase were as follows:

Month of repurchase	Number of shares repurchased '000	Price per share		Aggregate price paid (inclusive of related expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	8,794	0.285	0.265	2,455
April 2020	8,338	0.249	0.198	1,778
May 2020	28,506	0.265	0.248	7,398
June 2020	20,000	0.265	0.249	5,197
October 2020	2,544	0.400	0.400	1,022
	<u>68,182</u>			<u>17,850</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

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 sales 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 in 上海雲灝貿易有限公司 (Shanghai Yunhao Trading Limited*) at a consideration of RMB34,180,000.

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

Save as disclosed above, 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 Appendix 14 to the Rules (“**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange for the Year.

In respect of code provisions A.5.1 to A.5.4 of the Corporate Governance Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is 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 has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is 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 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 16 June 2020 (“**2020 AGM**”), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to an unexpected business engagement. Mr Liu Jun, an executive Director and the chief executive officer of the Group, chaired the 2020 AGM on behalf of the chairman of the Board pursuant to the bye-laws of the Company and was available to answer questions. Mr Wong Cho Tung, the president and executive Director, and 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 2020 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.

AUDIT COMMITTEE

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 consolidated financial statements of the Group for the Year and has recommended their adoption by the Board.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the respective websites of the Company (www.sim.com) and of the Stock Exchange (www.hkexnews.hk). The 2020 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 and Mr Zhu Wenhui, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Li Minbo and Mr Wu Zhe.

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.

25 March 2021

* *For identification purposes only*