SIM Technology

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 2022

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 2022 ("**Year**") together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Notes	**2022**	2021
		HK$'000	*HK$'000*
		Audited	Audited
Continuing operations			
Revenue	*3*	**638,017**	724,709
Cost of sales and services		**(650,107)**	(703,207)
Gross (loss) profit		**(12,090)**	21,502
Other income	*5*	**30,474**	47,597
Other gains and losses	*6*	**(28,619)**	(5,929)
Impairment losses under expected credit loss model, net of reversal		**(35,292)**	31,823
Research and development expenses		**(245,282)**	(178,692)
Selling and distribution costs		**(34,724)**	(38,504)
Administrative expenses		**(173,806)**	(132,081)
Share of results of associates		**4,940**	15,024
Finance costs	*7*	**(4,916)**	(3,219)

	Notes	Year ended 31 December **2022** *HK$'000* **Audited**	2021 *HK$'000* Audited
Loss before taxation		**(499,315)**	(242,479)
Taxation	*8*	**(8,507)**	6,788
Loss for the year from continuing operations	*9*	**(507,822)**	(235,691)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(9,831)
Loss for the year		**(507,822)**	(245,522)
Loss attributable to the owners of the Company			
From continuing operations		**(509,453)**	(236,555)
From discontinued operations		**–**	(9,245)
		(509,453)	(245,800)
Profit attributable to non-controlling interests			
From continuing operations		**1,631**	864
From discontinued operations		**–**	(586)
		1,631	278
Total (loss) profit for the year attributable to:			
Owners of the Company		**(509,453)**	(245,800)
Non-controlling interests		**1,631**	278
		(507,822)	(245,522)
Loss per share (HK cents)	*11*		
From continuing and discontinued operations			
Basic		**(23.24)**	(10.60)
Diluted		**(23.24)**	(10.60)
From continuing operations			
Basic		**(23.24)**	(10.21)
Diluted		**(23.24)**	(10.21)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
	Audited	Audited
Loss for the year	**(507,822)**	(245,522)
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 and property, plant and equipment to investment properties at fair value	**96,685**	30,967
Fair value gain on investment in equity instrument at fair value through other comprehensive income	**630**	1,932
Deferred tax relating to items that will not be reclassified to profit or loss	**(21,786)**	(7,940)
Exchange difference arising on translation to presentation currency	**(122,784)**	18,300
Other comprehensive (expense) income	**(47,255)**	43,259
Total comprehensive expense for the year	**(555,077)**	(202,263)
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(556,269)**	(203,935)
Non-controlling interests	**1,192**	1,672
	(555,077)	(202,263)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022** *HK$'000* **Audited**	2021 *HK$'000* Audited
Non-current assets			
Investment properties		**664,865**	793,755
Property, plant and equipment		**82,218**	205,990
Right-of-use assets		**67,196**	44,802
Intangible assets		**565**	60,561
Deferred tax assets		**–**	68,824
Interests in associates		**60,056**	59,613
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**61,376**	63,112
Consideration receivables		**17,227**	34,443
		953,503	1,331,100
Current assets			
Inventories		**185,779**	244,761
Properties held for sale		**8,093**	9,613
Trade and notes receivables	*12*	**77,803**	98,244
Other receivables, deposits and prepayments		**67,418**	159,980
Consideration receivables		**25,147**	23,214
Amounts due from associates		**5,772**	20,485
Financial assets at fair value through profit or loss ("FVTPL")		**1,602**	4,152
Pledged bank deposits		**165,846**	16,145
Short-term bank deposits		**168,122**	353,177
Bank balances and cash		**191,814**	322,309
		897,396	1,252,080
Assets held for disposal		**202,955**	–
		1,100,351	1,252,080

	Notes	**2022** ***HK$'000*** **Audited**	2021 *HK$'000* Audited
Current liabilities			
Trade and notes payables	*13*	**157,160**	218,852
Deposits from tenants		**2,242**	5,468
Deferred income		**1,136**	1,307
Other payables and accruals		**48,919**	48,016
Contract liabilities		**105,893**	126,412
Bank borrowings		**240,240**	41,851
Lease liabilities		**6,884**	6,019
Tax payables		**33,981**	37,311
		596,455	485,236
Net current assets		**503,896**	766,844
Total assets less current liabilities		**1,457,399**	2,097,944
Capital and reserves			
Share capital		**219,852**	227,977
Reserves		**1,074,361**	1,653,275
Equity attributable to owners of the Company		**1,294,213**	1,881,252
Non-controlling interests		**14,123**	12,931
Total equity		**1,308,336**	1,894,183
Non-current liabilities			
Deposits from tenants		**6,666**	7,620
Lease liabilities		**6,234**	8,554
Deferred tax liabilities		**96,555**	143,158
Deferred income		**39,608**	44,429
		149,063	203,761
		1,457,399	2,097,944

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 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.

During the year, due to the mandatory restrictions imposed in parts of the PRC (especially Shanghai) to combat the coronavirus disease (COVID-19) pandemic since mid-March 2022, the Group's operations were substantially affected and the turnover of the Group dropped significantly compared with year 2021.

The management of the Group had reassessed its forecast and concluded there was indication for impairment in the handsets and IOT terminals business. It conducted impairment assessment of the single cash-generating unit and an impairment loss was recognised for certain long-term assets.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendment to IFRS 3	Reference to the Conceptual
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to IFRSs 2018-2020

In addition, the Group applies the agenda decisions of the Committee of the International Accounting Standards Board.

Except as described below, the application of the amendments to IFRSs and the Committee's agenda decisions 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.

Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 "Financial Instruments" ("IFRS 9")

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

IFRS 16 "Leases" ("IFRS 16")

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 "Inventories") ("IAS 2")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale. The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories.

The new accounting policy has been applied retrospectively. The application of the Committee's agenda decision has had no material impact on the Group's consolidated financial statements.

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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" ("IAS 12") so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$13,609,000 and HK$12,900,000 respectively. The Group is in still the process of assessing the full impact of the application of the amendments.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Continuing operations

	For the year ended 31 December 2022		
Segments	**Handsets and IOT terminals business** *HK$'000*	**Property management** *HK$'000*	**Total** *HK$'000*
Types of goods or services			
Sale of handsets and IOT terminals	**554,383**	**–**	**554,383**
Electronics manfacturing services	**30,290**	**–**	**30,290**
Property rental	**–**	**53,344**	**53,344**
Total	**584,673**	**53,344**	**638,017**
Timing of revenue recognition			
At a point in time	**554,383**	**N/A**	
Over time	**30,290**	**N/A**	
Total	**584,673**	**N/A**	

Continuing operations

	For the year ended 31 December 2021		
Segments	Handsets and IOT terminals business (restated) *HK$'000*	Property management *HK$'000*	Total *HK$'000*
Types of goods or services			
Sale of handsets and IOT terminals	567,583	–	567,583
Electronics manufacturing services	95,145	–	95,145
Property rental	–	61,981	61,981
Total	662,728	61,981	724,709
Timing of revenue recognition			
At a point in time	567,583	N/A	
Over time	95,145	N/A	
Total	662,728	N/A	

Geographical markets

Continuing operations

	For the year ended 31 December 2022	
	Handsets and IOT terminals business	**Property management**
	HK$'000	***HK$'000***
The PRC	**253,826**	**53,344**
Europe	**41,817**	**–**
United States	**125,039**	**–**
Hong Kong	**6,982**	**–**
Other Asia countries	**157,009**	**–**
	584,673	**53,344**

Continuing operations

	For the year ended 31 December 2021	
	Handsets and IOT terminals business (restated)	Property management
	HK$'000	*HK$'000*
The PRC	312,508	61,981
Europe	94,487	–
United States	97,517	–
Hong Kong	50,554	–
Other Asia countries	107,662	–
	662,728	61,981

(ii) Performance obligations for contracts with customers

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

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

Electronics manufacturing services

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

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

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

(iv) Leases

	For the year ended 31 December 2022	For the year ended 31 December 2021
	HK$'000	*HK$'000*
For operating lease:		
Lease payments that are fixed	**53,344**	61,981

For the year ended 31 December 2022, the Group recognised approximately HK$49,155,000 (2021: HK$57,355,000) selling profit, being the difference between gross rental income and direct operating expenses, as a property lessor.

4. SEGMENT INFORMATION

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

In the prior year, the Group was organised into three reportable and operating segments, being handsets and IOT terminals business, electronics manufacturing services business and property management.

In accordance with the way in which information is now reported internally to the CODM for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the financial information of the Group's "electronics manufacturing services business" segment is no longer a separate reportable segment and has been included in the Group's "handsets and IOT terminals business" segment in the current year. 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; 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 2022

Continuing operations

	Handsets and IOT terminals business *HK$'000*	**Property management** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales	**584,673**	**53,344**	**638,017**
Segment loss	**(471,227)**	**(5,834)**	**(477,061)**
Other income and other gains and losses			**(12,051)**
Share of results of associates			**4,940**
Corporate expenses			**(10,227)**
Finance costs			**(4,916)**
Loss before taxation			**(499,315)**

For the year ended 31 December 2021

Continuing operations

	Handsets and IOT terminals business (restated) *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Revenue			
External sales	662,728	61,981	724,709
Segment (loss) profit	(301,786)	11,588	(290,198)
Other income and other gains and losses			57,455
Share of results of associates			15,024
Corporate expenses			(21,541)
Finance costs			(3,219)
Loss before taxation			(242,479)

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, 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 2022

	Handsets and IOT terminals business *HK$'000*	**Property management** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**430,660**	**812,974**	**1,243,634**
Property, plant and equipment			**41,580**
Right-of-use assets			**60,818**
Interests in associates			**60,056**
Equity instruments at FVTOCI			**61,376**
Financial assets at FVTPL			**1,602**
Properties held for sale			**8,093**
Amounts due from associates			**5,772**
Other receivables, deposits and prepayments			**2,767**
Consideration receivables			**42,374**
Pledged bank deposits			**165,846**
Short-term bank deposits			**168,122**
Bank balances and cash			**191,814**
Consolidated assets			**2,053,854**
Segment liabilities	**354,897**	**9,889**	**364,786**
Other payables and accruals			**3,722**
Lease liabilities			**6,234**
Bank borrowings			**240,240**
Tax payables			**33,981**
Deferred tax liabilities			**96,555**
Consolidated liabilities			**745,518**

At 31 December 2021

	Handsets and IOT terminals business (restated) *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Segment assets	721,402	817,259	1,538,661
Property, plant and equipment			34,605
Right-of-use assets			16,732
Deferred tax assets			68,824
Interests in associates			59,613
Equity instruments at FVTOCI			63,112
Financial assets at FVTPL			4,152
Properties held for sale			9,613
Amounts due from associates			20,485
Other receivables, deposits and prepayments			18,109
Consideration receivables			57,643
Pledged bank deposits			16,145
Short-term bank deposits			353,177
Bank balances and cash			322,309
Consolidated assets			2,583,180
Segment liabilities	438,700	16,660	455,360
Other payables and accruals			11,317
Bank borrowings			41,851
Tax payables			37,311
Deferred tax liabilities			143,158
Consolidated liabilities			688,997

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, amounts due from associates, consideration receivables and certain other receivables, deposits and prepayments.

- corporate liabilities include certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities, and

- properties held for sale are unallocated since property development is no longer classify as reportable segment.

Other segment information

For the year ended 31 December 2022

	Handsets and IOT terminals business *HK$'000*	Property management *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Continuing operations				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	**53,818**	**–**	**–**	**53,818**
Additions of right-of-use assets	**9,345**	**–**	**46,615**	**55,960**
Additions of intangible assets	**7,756**	**–**	**–**	**7,756**
Depreciation of property, plant and equipment	**21,834**	**–**	**–**	**21,834**
Depreciation of right-of-use assets	**9,835**	**–**	**157**	**9,992**
Amortisation of intangible assets	**45,127**	**–**	**–**	**45,127**
Impairment losses on property, plant and equipment	**53,839**	**–**	**–**	**53,839**
Impairment losses on right-of-use assets	**6,056**	**–**	**–**	**6,056**
Impairment losses on intangible assets	**17,918**	**–**	**–**	**17,918**
Impairment losses on trade receivables	**13,241**	**–**	**–**	**13,241**
Impairment losses on other receivables	**4,441**	**–**	**–**	**4,441**
Impairment losses on amounts due from associates	**–**	**–**	**16,499**	**16,499**
Impairment losses on consideration receivables	**1,111**	**–**	**–**	**1,111**
Allowance of inventories	**57,447**	**–**	**–**	**57,447**
Loss on disposal of property, plant and equipment	**1,977**	**–**	**–**	**1,977**
Decrease in fair value of investment properties	**–**	**37,422**	**–**	**37,422**

For the year ended 31 December 2021

	Handsets and IOT terminals business (restated) *HK$'000*	Property management *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Continuing operations				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions of property, plant and equipment	47,653	–	–	47,653
Additions of right-of-use assets	13,064	–	–	13,064
Additions of intangible assets	55,741	–	–	55,741
Depreciation of property, plant and equipment	33,572	3,173	2,793	39,538
Depreciation of right-of-use assets	11,771	1,123	140	13,034
Amortisation of intangible assets	44,012	–	–	44,012
Impairment losses on intangible assets	19,000	–	–	19,000
Impairment losses on trade receivables	2,000	–	–	2,000
Impairment losses on other receivables	–	–	1,200	1,200
Impairment losses on amounts due from associates	–	–	800	800
Reversal of impairment losses on entrusted loan receivable previously recognised	–	–	(35,823)	(35,823)
Impairment losses on equity instruments at FVTOCI recognised in profit or loss	–	–	384	384
Write-off of trade receivables	4,884	–	–	4,884
Allowance of inventories	48,335	–	–	48,335
Loss on disposal of property, plant and equipment	221	–	–	221
Decrease in fair value of investment properties	–	3,028	–	3,028

Geographical information

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

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

	Revenue from external customers Year ended		**Non-current assets Year ended**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**307,170**	374,489	**874,689**	1,164,651
Europe	**41,817**	94,487	**–**	–
United States	**125,039**	97,517	**–**	–
Hong Kong	**6,982**	50,554	**211**	70
Other Asian Countries	**157,009**	107,662	**–**	–
	638,017	724,709	**874,900**	1,164,721

Note:

Non-current assets excluded deferred tax assets, equity instruments at FVTOCI and consideration receivables.

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Continuing operations		
Refund of Value Added Tax ("VAT")	**1,612**	1,045
Government grants	**13,638**	19,572
Interest income earned on bank balances	**10,970**	23,354
Interest income earned on consideration and other receivables	**3,346**	2,919
Dividend income from financial assets at FVTPL	**327**	332
Others	**581**	375
	30,474	47,597

6. OTHER GAINS AND LOSSES

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
Impairment losses on equity instruments at FVTOCI	**–**	(384)
Write-off of trade receivables	**–**	(4,884)
Write-off of trade and other payables	**8,057**	–
Loss on disposal of property, plant and equipment	**(1,977)**	(221)
Gain arising on early termination of lease contracts	**229**	–
Net foreign exchange gain	**5,044**	900
Changes in fair values of investment properties	**(37,422)**	(3,028)
Net gain on disposal of subsidiaries	**–**	4,100
Fair value change on financial assets at FVTPL	**(2,550)**	(2,423)
Others	**–**	11
	(28,619)	(5,929)

7. FINANCE COSTS

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
Interests on bank borrowings	**4,400**	2,071
Interests on lease liabilities	**516**	1,148
	4,916	3,219

8. TAXATION

	2022 *HK$'000*	2021 *HK$'000*
Continuing operations		
PRC Enterprise Income Tax ("EIT")	**109**	296
Overprovision in prior years	**(1,517)**	–
Deferred tax charge (credit)	**9,915**	(7,084)
Taxation charge (credit) for the year	**8,507**	(6,788)

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

	2022	2021
	HK$'000	*HK$'000*
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Auditor's remuneration	**2,650**	2,300
Amortisation of intangible assets (included in cost of sales and services)	**45,127**	44,012
Less: Amount capitalised in development costs	**–**	(163)
Less: Amount capitalised in inventories	**(45,127)**	(43,849)
	–	–
Impairment loss recognized on property, plant and equipment, right-of-use assets and intangible assets included in		
– cost of sales and services	**17,918**	19,000
– administrative expenses	**59,895**	–
	77,813	19,000
Depreciation of property, plant and equipment	**21,834**	39,538
Less: Amount capitalised in development costs	**–**	(1,459)
Less: Amount capitalised in inventories	**(14,239)**	(23,818)
	7,595	14,261
Depreciation of right-of-use assets	**9,992**	13,034
Allowance of inventories (included in cost of sales and services)	**57,447**	48,335
Costs of inventories recognised as an expense (included in cost of sales and services)	**628,000**	586,926
Costs of properties sold (included in cost of sales and services)	**–**	170
Costs of manufacturing services (included in cost of sales and services)	**–**	92,485
Staff costs:		
Directors' emoluments	**6,035**	3,612
Other staff costs		
– Salaries and other benefits	**279,317**	238,909
– Retirement benefits scheme contributions	**63,297**	54,862
	348,649	297,383
Less: Amount capitalised in development costs	**(3,035)**	(37,100)
Less: Amount capitalised in inventories	**(34,495)**	(25,039)
	311,119	235,244
Gross rental income from investment properties	**(53,344)**	(61,981)
Less: direct operating expenses incurred for investment properties	**4,189**	4,626
	(49,155)	(57,355)

10. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2022 and 2021.

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:

	2022	2021
	HK$'000	*HK$'000*
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(509,453)**	(245,800)
Add:		
Loss for the year from discontinued operations	**–**	9,245
Loss for the purposes of basic and diluted loss per share from continuing operations	**(509,453)**	(236,555)

	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,192,057**	2,317,901

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the impact of shares repurchased and shares held by the trust under share award scheme of the Company.

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share from continuing operations.

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:

	2022	2021
	HK'000	*HK'000*
Loss		
Loss for the purpose of basic and diluted per share	**(509,453)**	(245,800)

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

From discontinued operations

For the year ended 31 December 2022, there is no impact on the loss per share from discontinued operation.

Basic and diluted loss per share for the discontinued operations was HK0.39 cents per share in prior year, based on the loss for prior year from the discontinued operations of approximately HK$9,245,000 and the denominators detailed above for both basic and diluted loss per share.

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

12. TRADE AND NOTES RECEIVABLES

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

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

	2022	2021
	HK$'000	*HK$'000*
Trade receivables		
0 – 30 days	**35,399**	57,907
31 – 60 days	**7,746**	6,356
61 – 90 days	**1,894**	7,289
91 – 180 days	**814**	15,408
Over 180 days	**66,133**	30,955
	111,986	117,915
Less: Allowance for credit losses	**(38,863)**	(27,290)
Trade receivables	**73,123**	90,625
Notes receivables *(Note)*		
0 – 30 days	**994**	5,034
31 – 60 days	**48**	495
61 – 90 days	**818**	13
91 – 180 days	**2,708**	1,832
Over 180 days	**112**	245
	4,680	7,619
	77,803	98,244

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:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**94,444**	124,475
31 – 60 days	**10,581**	3,144
61 – 90 days	**4,202**	4,844
Over 90 days	**13,116**	46,027
Trade payables	**122,343**	178,490
Notes payables		
0-30 days	**34,817**	40,362
	157,160	218,852

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders' right to attend and vote at the forthcoming annual general meeting of the Company ("**AGM**"):

Closure dates of register of members (both days inclusive)	30 May 2023 (Tuesday) to 2 June 2023 (Friday)
Latest time to lodge transfers	4:30 p.m. on 29 May 2023 (Monday)
Record date	2 June 2023 (Friday)
AGM	2 June 2023 (Friday)

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

AGM

The AGM will be held at 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Friday, 2 June 2023. 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

During 2022, the economy of the People's Republic of China ("**PRC**") faced unprecedented challenges. COVID-19 lockdown was imposed in various areas for a prolonged period. Take Shanghai as an example, the city went into a two-month long lockdown in the first half of the Year and a strict prevention and control policy remained in place in the second half. With the Group's headquarters, main research and development ("**R&D**") centre and production base all located in Shanghai, the businesses of the Group came to a standstill or a semi-standstill. Despite the Group's efforts to remedy the situation, it was unable to complete its deliveries to customers. The Group recorded a sales revenue of HK$638.0 million for the Year, a 12.0% decline year-on-year. Gross loss was HK$12.1 million.

Due to the low gross profit, high expenses and consecutive years of losses, the valuation of the intangible assets accumulated by the Group previously was subject to substantial impairment. As a result of the drop in rental rates out of the economic downturn, the real estates owned by the Group were revalued and thus it recorded an unprecedented loss attributable to the owners of the Company of HK$509.5 million during the Year.

In addition to the impact of the pandemic, the new management team introduced by the Group more than two years ago has formulated a very aggressive development plan, recruited a group of senior management talents from the industry with high salaries, built a vast group structure and added two new product lines, all of which resulted in an exponential increase in the staff costs of the Company. However, against the background of the US-China tensions, the global economic recession and the impact of the pandemic, the Group failed to make a return despite its enormous investment, and its turnover did not rise but fell. Some of the product lines have made a negative profit regardless of the huge investment.

Starting from the fourth quarter of 2022, the Board reorganised the top management team, removed the impractical structure and restored the divisional organisation. The future staff costs were reduced by downsizing and layoff. However, according to the labour law of the PRC, the Group had to pay a large amount of compensation to the dismissed staff. In the Year, the high labour cost directly contributed to the current loss of the handsets and IOT terminals business segment, and became a major factor of the loss of the Group for the Year.

Handsets and IOT terminals business

Looking back at 2022, it was the most difficult year in the history of the handsets and IOT terminals business segment. We had hoped for an exponential growth, but it turned out to be a decline rather than an improvement in performance. Deliveries started the Year on a positive note, but the results took a sharp turn for the worse in March due to the ongoing lockdown and control measures. Although the second half of the Year witnessed a slow recovery amidst the shocks, the actual achievement rate of deliveries was much lower than expected. Firstly, business operations were almost completely suspended for a long period of time due to the lockdown and control measures. Secondly, the willingness of customers to place order became significantly weaker due to contraction of consumption, with some orders even withdrawn. In addition, overseas businesses could hardly be carried out because of the closure of the PRC's borders. As a result, notwithstanding it being the core business of the Group, the segment only achieved a sales revenue of HK$584.7 million in 2022, a 11.8% decrease year-on-year.

This business segment has been the core business of the Group since its establishment. Over the past two decades, it has accumulated leading technologies in the relevant fields and a number of quality customers in the target markets. Being the strength of the Group, this business segment has been generating stable turnover and normal profit. As reflected in the Group's financial statement for the Year, this business segment recorded gross loss of HK$61.2 million not because of its unprofitability, but for several other reasons. Firstly, two new product lines were added for network communication products and fleet telematics equipment two years ago. As these new product lines have yet to generate substantial sales, they are still temporarily placed under the terminals segment which may, subject to their future development, become a separate business segment. These new businesses required considerable investment in their incubation phase, but they recorded an even larger loss than the existing businesses of this business segment in 2022, and all losses from these new businesses were recorded in the results of this business segment. Secondly, due to the critical shortage of electronic components in 2021, the Group took the risk of procuring a batch of materials in advance to ensure the delivery of orders, including a huge number of materials for the production of network communication products. Due to the impact of the pandemic and the dramatic changes in supply and demand in the market of these materials, a large amount of inventories that could not be consumed in time was left in the warehouse which had to be provided for full impairment and charged to costs in accordance with the international accounting standards. Thirdly, having heard of the PRC Government's intention to change the use of the land in Qingpu, the Group began to gradually implement the relocation of its production lines and the severance of its staff at the Qingpu plant since the third quarter of 2022. The expenses incurred therefrom were high and were accounted under the costs of this business segment for 2022. In February 2023, Shanghai Sunrise Simcom Ltd. ("**Shanghai Sunrise Simcom**"), an indirect wholly-owned subsidiary of the Company, received an official notice from the PRC Government regarding the resumption of the Qingpu site. The PRC Government plans to carry out the valuation of the Qingpu site in April 2023 and will pay reasonable compensation to the Group according to the valuation report. The Group is currently making the relevant coordination efforts and will publish announcement in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") when further information becomes available.

Electronics manufacturing services business

In accordance with the way in which information is now reported internally to the chief operating decision markers for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the financial information of the Group's "electronics manufacturing services business" segment is no longer a separate reportable segment in the Year and has been included in the handsets and IOT terminals business segment.

Property management

For the Year, the revenue of property management was mainly derived from the leasing of Block A and Block B of SIM Technology Building in Shanghai, factory units in Shanghai and Shenyang and commercial properties in Shenyang. Total area of approximately 108,000 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 amounted to HK$53.3 million (2021: HK$62.0 million) with a gross profit margin of 92.2% (2021: 92.5%). In 2022, the raging COVID-19 mutant strain broken out in different places in the PRC, several places experienced long-term "static management" and the domestic economy encountered unprecedented challenges. Some tenants were unable to continue their operations and terminated their leases early, resulting in lower occupancy rates and lower rental income. Under these circumstances, the property valuation has also been lowered by an unprecedented rate. The Group made provision for impairment in accordance with the requirements of International Financial Reporting Standard, resulting in a segment loss for the Year.

Prospects

Despite the unprecedented loss incurred by the Group in 2022, the management believes in the profitability of the Group's core business (i.e. the handset and IOT terminal ODM business). Business analysis indicated that this business made a normal profit on almost every business transaction and will definitely be profitable in the future. Our customers are still there, so as our team and the market opportunities. The Group has accumulated experience in technology and in the market for more than 10 years, and enjoys a good reputation in the industry. Entering the new year, the Group will promote "practicality, attention to details, management and profitability". The Group will focus on its core business, strictly control the new business investment, further optimise its business structure and layout and redevelop overseas markets with an aim to turn loss into profit as soon as possible in 2023. As people say, every cloud has a silver lining, and everything will get back on track.

FINANCIAL REVIEW

For the Year, the revenue from the handsets and IOT terminals business ("**Core Business**") decreased by 11.8% to HK$584.7 million (2021: HK$662.7 million). The revenue from property management ("**Non-core Business**") decreased by 13.9% to HK$53.3 million in 2022 (2021: HK$62.0 million). The total revenue of the Group for the Year, which included the revenue of Core Business and Non-core Business, amounted to HK$638.0 million (2021: HK$724.7 million).

The gross loss for the Core Business of the Group for the Year was HK$61.2 million (2021: HK$35.8 million). The gross loss margin for the Core Business was 10.5% (2021: 5.4%) and the gross profit margin for the Non-core Business decreased to 92.2% (2021: 92.5%) The overall gross loss margin of the Group for the Year was 1.9% (2021: gross profit margin 3.0%).

The Group recorded a loss attributable to owners of the Company from continuing operations of HK$509.5 million (2021: HK$236.6 million) for the Year. The basic loss per share from continuing operations for the Year was HK23.24 cents (2021: HK10.21 cents). Such increase in loss was mainly attributable to the factors discussed below:

One of the reasons for the significant increase in loss was the mandatory restrictions imposed in parts of the PRC (especially Shanghai) to combat the coronavirus disease (COVID-19) pandemic since mid-March 2022, which had affected the Group's deliveries. Given that the Group's headquarter is situated in Shanghai, the effect was relatively substantial. Failure to reach the expected levels of turnover and average gross profit margin in 2022, the increase in R&D expenses, selling and distribution costs and administrative expenses all caused the significant increase in loss.

In 2021, the new management team formulated a very aggressive development plan that the Group's business had to grow rapidly in the next few years. To this end, the Group had increased investment in human resources, and had recruited many highly professional and experienced talents from the industry to enrich the management and various departments of the Group since 2021. At the same time, in order to adapt to the reality of the soaring cost of high-tech talents in the PRC, the Group increased the salary and bonuses of some existing employees to increase their sense of belonging and motivation to the Group, so that they could strive to create more profits for the Group. However, against the background of the US-China tensions, the global economic recession and the impact of the pandemic, the Group failed to make a return despite its enormous investment, and its turnover did not rise but fell. Starting from the fourth quarter of 2022, the Board reorganised the top management team by removing the impractical structure and restoring the divisional organisation. The future staff costs are reduced by downsizing and layoff. However, according to the labour law of the PRC, the Group had to pay a large amount of compensation to the dismissed staff. In the past year, the high labour cost was one of the major factors of the loss of the Group.

In addition, the Board concluded there was an indication of impairment in long-term assets of the handsets and IOT terminal business. Impairment loss on the relevant intangible assets, properties, plants and equipment, right-of-use assets relating to the handsets and IOT terminals business of around HK$77.8 million, certain receivables of around HK$35.3 million and inventory of around HK$57.4 million were made in 2022 after conducting impairment assessment on these assets. An one-off impairment on investment properties of around HK$37.4 million was also made in 2022. These caused the significant increase in loss but they had no effect on the cash flow of the Year.

R&D expenses

In 2022, the Group mainly focused on the development of the handsets and IOT terminals business. The number of design and development team members was 182 in 2022 (2021: 444). Total R&D expenses amounted to HK$245.3 million (2021: HK$178.7 million), representing 38.4% (2021: 24.7%) of the Group's revenue. One of the factors that contributed to the increase in the R&D expenses was, as mentioned above, the large amount of compensation paid to the dismissed staff in accordance with the labor law of the PRC. The second factor was that the amount of R&D capitalization in 2022 decreased significantly as compared to that in 2021.

Selling and distribution costs

The selling and distribution costs of the Group for the Year decreased by 9.8% to HK$34.7 million (2021: HK$38.5 million). The ratio of the selling and distribution costs over revenue in 2022 was 5.4% (2021: 5.3%).

Administrative expenses

The Group's administrative expenses for 2022 increased by 31.6% to HK$173.8 million (2021: HK$132.1 million), representing 27.2% (2021: 18.2%) of the revenue. The substantial increase in the Group's administrative expenses for the Year was mainly attributed to the one-off impairment loss of properties, plants and equipment and right-of-use assets, which amounted to HK$59.9 million and was booked in administrative expenses.

Segment results of core business

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue	**Gross loss**	**Gross loss margin**	Revenue	Gross loss	Gross loss margin
	HK$'M	***HK$'M***	***%***	*HK$'M*	*HK$'M*	*%*
Handsets and IOT terminals business	**584.7**	**(61.2)**	**(10.5)**	662.7	(35.8)	(5.4)
Total	**584.7**	**(61.2)**	**(10.5)**	662.7	(35.8)	(5.4)

Handsets and IOT terminals business

The revenue of this segment decreased year-on-year by 11.8% to HK$584.7 million (2021: HK$662.7 million) in 2022. Since the two new product lines in this segment have yet to generate substantial sales, losses in related business have led to the losses in this segment. In addition, due to the COVID-19 pandemic and the dramatic changes in the supply and demand in the material market, the materials purchased in advance by the Group to ensure the delivery of orders were not consumed in time. One-off provisions for impairment of inventories of HK$57.4 million and intangible assets of HK$17.9 million were made during the Year which caused to a gross loss for the Year. The overall gross loss margin of this business segment decreased to 10.5% (2021: 5.4%) for the Year. The revenue of ODM business contributed to approximately 86% of the revenue of this segment in 2022 (2021: 91%).

Electronics manufacturing services business

In accordance with the way in which information is now reported internally to the chief operating decision markers for the purpose of resource allocation and performance assessment and the recent streamlining of certain reportable segments, the financial information of the Group's "electronics manufacturing services business" segment is no longer a separate reportable segment and has been included in the handsets and IOT terminals business segment in the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2022, the Group had bank balances and cash of HK$191.8 million (31 December 2021: HK$322.3 million), among which 13.2% was held in US dollars, 86.0% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term bank deposits of HK$168.1 million (31 December 2021: HK$353.2), all of which were held in US dollars. As at 31 December 2022, the Group also had pledged bank deposits of HK$165.8 million (31 December 2021: HK$16.1 million), among which 88.2% was held in Renminbi and the remaining balance was held in US dollars, for the purpose of the Group's Renminbi borrowings. The Group intends to finance its working capital and capital expenditure plans from such bank balances. The Group has pledged bank deposits to secure the bank borrowings. The total bank borrowings of the Group amounted to HK$240.2 million as at 31 December 2022 (31 December 2021: HK$41.9 million), all of which were denominated in Renminbi. All of the bank borrowings were at floating interest rates and repayable within one year.

Operating Efficiency

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

	2022 **Days**	2021 Days
Inventory turnover period	**118**	116
Trade and notes receivables turnover period	**50**	49
Trade and notes payables turnover period	**148**	128

The inventory turnover period and trade and notes receivables turnover period remained relatively stable in the year 2022 and 2021.

As affected by the COVID-19 pandemic, repayment schedules of certain accounts payables were delayed during the Year as compared to that of year 2021. As a result, the trade and notes payables turnover days increased for the Year.

As at 31 December 2022, the current ratio, calculated as current assets (excluding assets held for disposal) over current liabilities, was 1.5 times (31 December 2021: 2.6 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group to understand its ability to convert inventory into cash and its sales and cash conversion cycle. Through reviewing the turnover periods, the Group can improve its operational efficiency. The current ratio can help the Group to understand its ability to pay short-term and long-term obligations.

Treasury Policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are mainly held under fixed and savings deposits in reputable banks to earn interest income.

Certain sales and purchases of inventories of the Group are denominated in US dollars. Furthermore, certain trade receivables, trade payables and bank balances are denominated in US dollars, thereby exposing the Group to the currency risk of US dollars. As at 31 December 2022, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposure in US dollars when necessary.

CAPITAL STRUCTURE

As at 31 December 2022, the Company had 2,198,525,300 ordinary shares of HK$0.10 each in issue.

The Company has issued 1,050,000 ordinary shares of HK$0.10 each upon the exercise of share options by an employee of the Company during the Year.

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

GEARING RATIO

As at 31 December 2022, the total assets value of the Group was HK$2,053.9 million (31 December 2021: HK$2,583.2 million) and the bank borrowings was HK$240.2 million (31 December 2021: HK$41.9 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 11.7% (31 December 2021: 1.6%). The increase in bank borrowings during the Year was mainly attributed to discounted bills of HK$173,040,000. The Group earns interest spreads on bank deposits by discounted bills.

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

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

On 21 September 2022, 廣東晨訊科技有限公司 (unofficial English translation being Guangdong SIM Technology Limited) ("**Guangdong SIM**"), an indirect wholly-owned subsidiary of the Company, entered into an assignment contract with 東莞市黃江鎮星光股份經濟聯合社 (unofficial English translation being Dongguan City Huangjiang Town Xingguang Stock Economic Collective Society) in respect of the purchase of a piece of land situated at 東莞市黃江鎮星光村 (unofficial English translation as Dongguan City Huangjiang Town Xingguang Village) in the PRC by Guangdong SIM at the consideration of RMB38,700,000. The purchase was completed in 2022.

Further details of the above mentioned purchase were disclosed in the announcement of the Company dated 24 October 2022.

Save as disclosed above, the Group did not have any significant investment during the year.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 31 December 2022, the Group had approximately 1,088 (2021: 1,651) 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$348.6 million from continuing operations (2021: HK$297.4 million) during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased 70,616,000 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	Price per share Highest	Lowest	Aggregate price paid (inclusive of related expenses)
	'000	*HK$*	*HK$*	*HK$'000*
January 2022	20,648	0.480	0.455	9,685
May 2022	3,260	0.320	0.290	1,006
June 2022	6,686	0.370	0.330	2,397
July 2022	11,966	0.345	0.300	4,001
October 2022	9,418	0.305	0.270	2,763
November 2022	18,638	0.335	0.290	6,019
	70,616			25,871

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

In February 2023, the PRC Government issued a notice of house expropriation and compensation work to Shanghai Sunrise Simcom. The properties of Shanghai Sunrise Simcom, including certain property, plant and equipment, right-of-use assets and investment properties with carrying amount of HK$50,693,000, HK$4,153,000, and HK$148,109,000 respectively, will be expropriated. In accordance with the notice, it is expected that the process of the house expropriation will be completed within 2023.

CORPORATE GOVERNANCE CODE

According to code provision C.2.1 of the Corporate Governance Code ("**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the 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 Cho Tung, Mr. Liu Jun and Mr. Zhu Wenhui, and two members of the management of the Company, namely Mr. Zhu Qi (the chief operating officer of the Group) and Mr. Yang Hanjie (the chief marketing officer of the Group). In light of the above, even though the Company has not been able to appoint an individual to take up the role of the CEO since Mr. Gao Jun's resignation, the Board considers that such a deviation from code provision C.2.1 of the Corporate Governance Code is appropriate under such circumstances.

Save as disclosed above, the Company has complied with the code provisions laid down in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules for the Year.

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 this 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 and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this 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 2022 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 are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Liu Jun and Mr Zhu Wenhui, the non-executive Director is Mr Wong Hei, Simon, and the independent non-executive Directors are Mr Liu Hing Hung, Mr Wu Zhe and Mr Li Minbo.

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

24 March 2023

* *For identification purposes only*