



SIM Technology

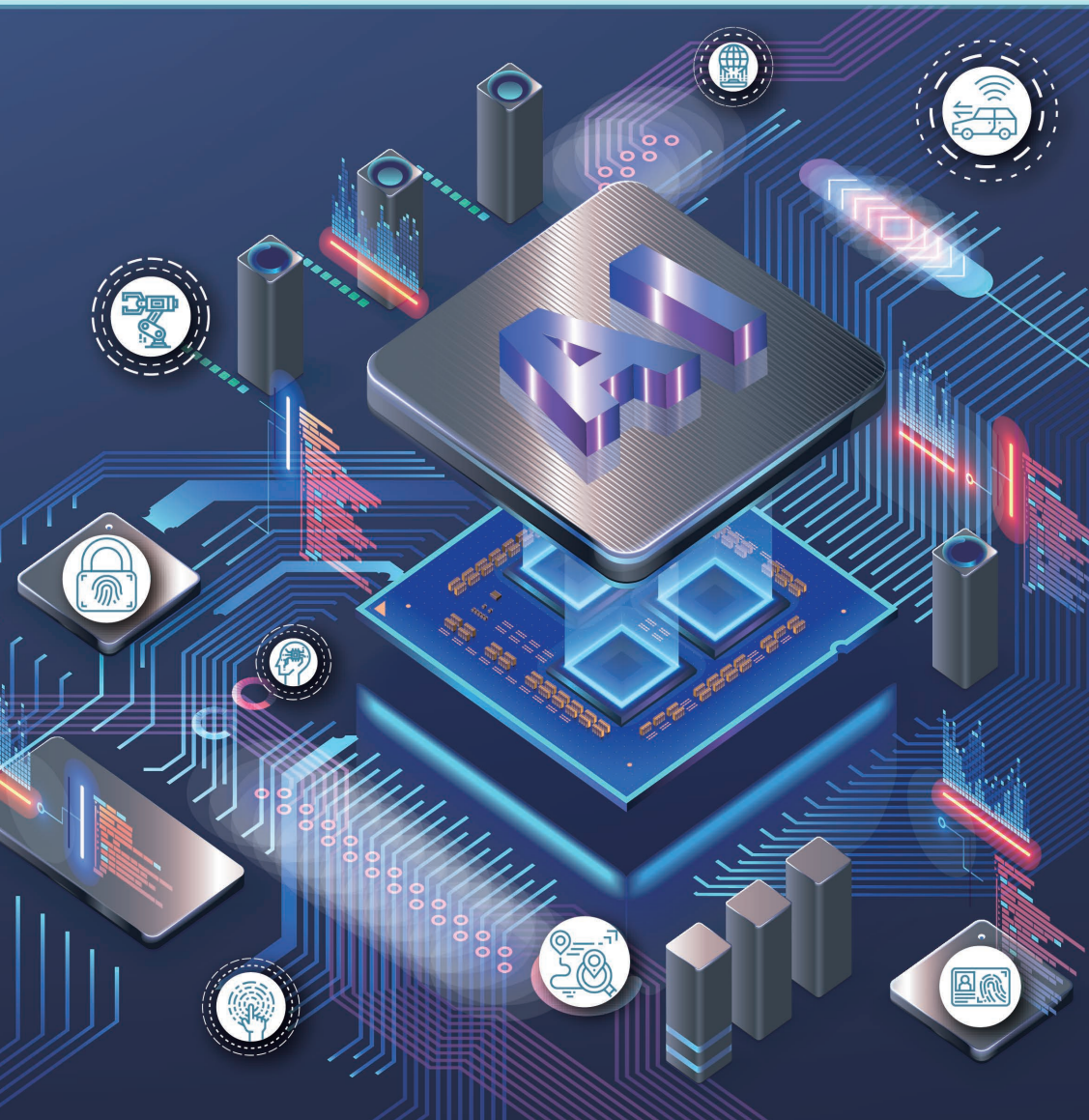
SIM Technology Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)

2021

Interim Report





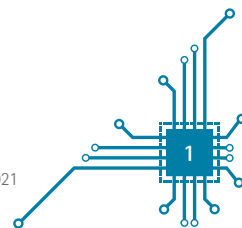
CHAIRMAN'S STATEMENT

On behalf of the board ("Board") of the directors ("Directors") of SIM Technology Group Limited ("Company"), I am presenting the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 ("1H-2021").

BUSINESS REVIEW

In 1H-2021, even though the COVID-19 pandemic had not been effectively contained globally and the China-US relations continued to deteriorate, the Group nonetheless continued to operate its business amidst difficulties and recorded a greater loss. It achieved a revenue of HK\$384.5 million from continuing operations in 1H-2021, an increase of 29.1% against 1H-2020. Gross profit from continuing operations (composed of handset and IOT terminals business, EMS business and property management) was HK\$62.3 million, an increase of 42.7% when compared with 1H-2020. Net loss after tax from continuing operations was HK\$59.7 million, an increase of 74.2% against 1H-2020 (1H-2020: net loss after tax from continuing operations was HK\$34.3 million).

The disposal of the Intelligent Manufacturing Business & IOT system and O2O business at the end of 2020 and March 2021, respectively resulted in a decrease in the Group's total revenue (composed of continuing operations and discontinued operation) when compared with the same period last year. The continuous rise in prices of semiconductors and other materials worldwide and the extension of the supply cycle have greatly affected the cost and delivery of the Group's terminals business. Specific pandemic-related preferential policies introduced by the Chinese government ended in 2021 and the increase in manpower investment by the Group in anticipation of business development led to a surge in labour costs in the first half of the year over the corresponding period last year. At the same time, during the reporting period, the Group achieved remarkable results in expanding its customer base, extending its reach to more operators, intelligent POS and new customers from other segments. Such efforts have formed a solid foundation for the Group's business development in the second half of the year and beyond to the next year or two.





CHAIRMAN'S STATEMENT

Handsets and IOT terminals business

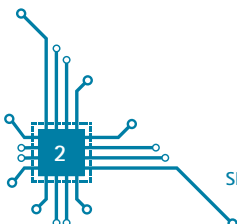
The business segment recorded a revenue of HK\$308.3 million in 1H-2021, an increase of 25.9% year-on-year. Gross profit was HK\$31.2 million, an increase of 27.1% over 1H-2020. Compared with the large-scale shutdown due to the outbreak of COVID-19 in 1H-2020, production and delivery have been relatively stable this year and the Group has also realised considerable growth in revenue.

Due to the fractious China-US relations and the overseas pandemic situation having yet to show a visible improvement, new orders from overseas customers have been comparatively weak in the first half of the year. Most of the Group's overseas shipments have been in fulfilment of unprocessed orders from last year. During the reporting period, the Group has focused on the China market, seized the opportunities generated from the vigorous promotion of new infrastructure by the country and targeted major customers in various industry application sectors, allowing it to consolidate its strengths and expand opportunities for cooperation.

The supply of semiconductors remains an uncertainty affecting the realisation of the Company's shipment targets for the second half of the year and next year as well. At the same time, rising prices of electronic materials have also placed great pressure on cost control efforts. As for R&D, the Group will focus on the semiconductors platform's ubiquity. It has also worked hard to minimise the impact of material supply on deliveries and is committed to achieving the set delivery targets in the second half of the year.

EMS business

The electronics manufacturing services business (EMS) recorded a revenue of HK\$45.6 million in 1H-2021, an increase of 32.2% over 1H-2020. Gross profit margin was 3.4%, a decrease of 1 percentage point year-on-year (1H-2020:4.4%). During the reporting period, production orders of factories in China returned to pre-pandemic levels and the proportion of higher value-added products dominated by 4G modules notably increased, leading to year-on-year growth in revenue.





CHAIRMAN'S STATEMENT

The Group has recently increased its investment in EMS and automation equipment across the entire production line, aiming to expand production capacity, reduce the proportion of labour costs in manufacturing costs and improve product quality, and hence provide better services to its customers.

IOT system and O2O business

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

Property management

As at 30 June 2021, the revenue of property management was mainly derived from the leasing of SIM Technology Building Block A and Block B in Shanghai, factory units in Shanghai and Shenyang and commercial properties in Shenyang. A total area of approximately 77,000 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 its factories and other buildings.

The revenue of properties management for 1H-2021 amounted to HK\$30.6 million (1H-2020: HK\$18.4 million) with a gross profit margin of 96.7% (1H-2020: 95.9%).



CHAIRMAN'S STATEMENT

Prospects

In the second half of 2021, the Group will continue to focus on the China market. Capitalising on the momentum of expanding its reach to new customers in 1H-2021, the Group, guided by the industry-leading approaches of "new 5G infrastructure development" and "expansion of industry segments", will focus on key customers across various sectors and increase its R&D investment in self-defined products and general semiconductor platforms. Also, to cope with the dual pressure of rising material costs and production shortage, the Group has pushed aggressively towards its plan to set up a supply chain delivery and production base in the Greater Bay Area. The base is expected to be completed and commence operation by the end of 2023.

In the second half of 2021, the Group will continue to uphold the "customer first, honest and pragmatic, innovative and pioneering" philosophy to strengthen strategic planning, focus on its core businesses, improve efficiency, control costs and achieve a turnaround in its business as soon as possible.

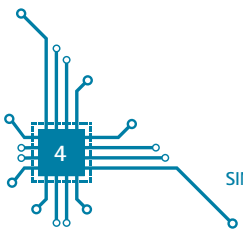
Appreciation

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

Yeung Man Ying

Chairman

Hong Kong, 26 August 2021





MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW OF CONTINUING OPERATIONS

For 1H-2021, the revenue of the Group was HK\$384.5 million (1H-2020: HK\$297.8 million), in which the revenue from handsets and IOT terminals business and EMS business ("Core Business") increased by 26.6% to HK\$353.9 million (1H-2020: HK\$279.4 million) as compared with that of 1H-2020. The revenue from property management increased by 66.4% to HK\$30.6 million in 1H-2021 as compared with that in 1H-2020 (1H-2020: HK\$18.4 million).

The gross profit for 1H-2021 for the Core Business increased period-to-period by 25.7% to HK\$32.7 million (1H-2020: HK\$26.0 million). The gross profit margin for the Core Business was maintained at 9.3% (1H-2020: 9.3%). The overall gross profit margin of the Group for 1H-2021 increased to 16.2% (1H-2020: 14.7%).

The Group recorded a loss attributable to owners of the Company from continuing operations of HK\$60.5 million (1H-2020: HK\$33.6 million). The basic loss per share from continuing operations for 1H-2021 was HK2.6 cents (1H-2020: HK1.4 cents). Such increase in loss was mainly attributable to the factors discussed below:

During 1H-2020, the PRC government announced certain financial measures and supports for corporate to overcome the negative impact arising from the pandemic. In particular, the Ministry of Human Resources and Social Security issued an announcement regarding the administration of Chinese social security contributions during the period of prevention and containment of the spread of COVID-19 and decided to reduce or waive employer obligations on social security contributions for a specified period from February to December 2020 to ease the burden of enterprises during this difficult time. Approximately HK\$13,876,000 of the retirement benefits costs were waived from February to June 2020. However, such arrangement has been discontinued in 1H-2021. Accordingly, the Group resumed making full contributions in 1H-2021 and thus experienced a considerable increase in costs.

Under the Group's new management, heavy investment has been made to seek out and recruit outstanding and experienced personnel in order to prepare the Group for rapid growth in the coming years. As there is a high demand for skilled technology workers in the PRC, further investment has been made to retain existing talent (e.g. raising bonuses) in order to motivate the Group's entire staff and strengthen their sense of belonging to the Group. The Group therefore incurred further costs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group proactively invested in opening new product lines (e.g. data communication products) and expanding its customer base in 1H-2021. Specifically, the Group managed to secure orders from 2 major operators in the industry during 1H-2021 but almost none of the deliveries was made due to the global semiconductor shortage. Nonetheless, the Group's new management took the proactive view that the Group should not idle during the time and that the Group's research and development of new markets must stay at the forefront of the industry or else the opportunity for growth would be lost. There was therefore a significant increase in the Group's research and development costs.

Segment results of core business

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Revenue HK\$'M	Gross profit HK\$'M	Gross profit margin %	Revenue HK\$'M	Gross profit HK\$'M	Gross profit margin %
Handsets and IOT terminals business	308.3	31.2	10.1	244.9	24.5	10.0
EMS business	45.6	1.5	3.4	34.5	1.5	4.4
Total	353.9	32.7	9.3	279.4	26.0	9.3

Handsets and IOT terminals business

Compared with the large-scale shutdown due to the outbreak of COVID-19 in 1H-2020, production and delivery have been relatively stable this year and the Group has also realised considerable growth in revenue. The revenue of handsets and IOT terminals business for 1H-2021 increased by 25.9% to HK\$308.3 million (2020: HK\$244.9 million) as compared to that of 1H-2020. The gross profit margin for this segment slightly increased to 10.1% in 1H-2021 (1H-2020: 10.0%). The revenue of ODM business contributed to approximately 94% of the revenue of this segment in 1H-2021 (1H-2020: 90%).



MANAGEMENT DISCUSSION AND ANALYSIS

EMS business

During 1H-2021, production orders of factories in China returned to pre-pandemic levels and the proportion of higher value-added products dominated by 4G modules notably increased, leading to year-on-year growth in revenue. Revenue of this segment increased period-to-period by 32.2% to HK\$45.6 million in 1H-2021 but the gross profit margin decreased to 3.4% (1H-2020: 4.4%).

Disposal of IOT system and O2O business

During 1H-2021, the Group completed the disposal of 98.7% equity interest in 上海雲灝貿易有限公司 (unofficial English translation being Shanghai Yunhao Trading Limited). A loss on disposal of HK\$0.8 million was recorded in the period. Further information relating to such disposal is set out in the section headed "Material Acquisition and Disposal of Subsidiaries or Associated Companies" below.

For the purpose of presenting the consolidated financial statements of the Group for the periods ended 30 June 2021 and 2020, the financial information of IOT system and O2O business was presented as discontinued operations.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2021, the Group had bank balances and cash of HK\$384.0 million (31 December 2020: HK\$667.9 million), of which 44.2% was held in US dollars, 55.7% was held in Renminbi and the remaining balance was held in Hong Kong dollars, and short-term deposits of HK\$475.5 million (31 December 2020: \$281.6 million) among which 84.8% was held in US dollars and 15.2% was held in Renminbi. As at 30 June 2021, the Group also had pledged bank deposits of HK\$15.9 million (31 December 2020: HK\$5.9 million) in Renminbi for the purpose of the Group's borrowings. The Group intends to finance its working capital and capital expenditure plans from such bank balances. The Group has pledged certain of its assets (including bank deposits, property, plant and equipment, investment properties and land use rights) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$70.3 million as at 30 June 2021 (31 December 2020: HK\$36.0 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 respective turnover period of inventory, trade and notes receivables, trade and notes payables of the Group for the Core Business is presented below:

	30 June 2021 Days	31 December 2020 Days (restated)
Inventory turnover period	125	123
Trade and notes receivables turnover period	55	77
Trade and notes payables turnover period	107	92



MANAGEMENT DISCUSSION AND ANALYSIS

The inventory turnover period remained relatively stable in 1H-2021 and year 2020.

In 1H-2021, the proportion of accounts receivable with longer credit period decreased. As a result, the trade and note receivable turnover days decreased for 1H-2021 as compared to that of year 2020.

As affected by the COVID-19 pandemic, certain creditors' repayment schedules had been slowed down in 1H-2021 as compared to that of year 2020. As a result, the trade and notes payables turnover days increased for 1H-2021 as compared to that of year 2020.

As at 30 June 2021, the current ratio, calculated as current assets over current liabilities, was 3.6 times (31 December 2020: 3.6 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group to understand its ability to convert inventory into cash and its sales 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. During 1H-2021, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposure in US dollars when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

As at 30 June 2021, the Company had 2,362,549,300 ordinary shares of HK\$0.10 each in issue.

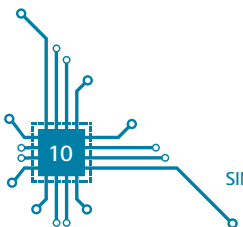
The Company has issued 3,000 ordinary shares of HK\$0.10 each upon the exercise of share options by an employee of the Company during 1H-2021.

Save as disclosed above, no shares of the Company have been issued during 1H-2021.

CASH FLOW STATEMENT HIGHLIGHTS

The following is the highlights of the cash flow statement of the Group for 1H-2021 and 1H-2020:

	1H-2021 HK\$'M	1H-2020 HK\$'M
Net cash (used in) from operating activities	(80.8)	41.5
Capital expenditure	(20.9)	(2.1)
Development costs	(21.0)	(39.1)
Net increase (decrease) in bank borrowings	34.3	(15.9)
Purchase of equity instruments at FVTOCI	(9.0)	-
Receipt of consideration receivables	30.2	0.7
Repayment of lease liabilities	(5.0)	(4.8)
Interest paid	(1.6)	(0.7)
Others	(6.2)	(2.1)
Net decrease in cash and cash equivalents (including pledged bank deposits and short-term bank deposits)	(80.0)	(22.5)





MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 June 2021, the total assets of the Group were HK\$2,685.4 million (31 December 2020: HK\$2,801.6 million) and the bank borrowings were HK\$70.3 million (31 December 2020: HK\$36.0 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 2.6% (31 December 2020: 1.3%).

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

EMPLOYEES

As at 30 June 2021, the Group had approximately 1,450 (31 December 2020: 1,149) employees. The Group operates a Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group has a comprehensive training system in place that establishes a network-based career path for employees, including position and ability management, skills enhancement programme, various training opportunities, online learning programme for staff, internal promotion system, key employees development programme, succession plans for key positions and leadership development programme. The Group also offers discretionary bonuses to its employees and may grant them share options under the share option scheme and share awards under the share award scheme of the Company to its employees by reference to their individual performance and the performance of the Group.

EMOLUMENT POLICY

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

The Company has adopted a share option scheme and share award scheme to motivate the eligible persons referred to in the schemes, which include executive Directors and employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.

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 to 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 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.

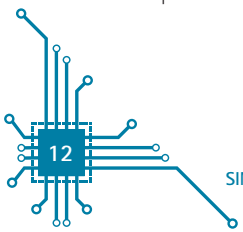
Save as disclosed above, the Group did not have any future plans for material investment or capital assets during 1H-2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 23 March 2021, 上海雲貿物聯網科技有限公司 (Shanghai Yunmao IOT Limited*) ("Shanghai Yunmao"), an indirect wholly-owned subsidiary of the Company, entered into the 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 of 上海雲灝貿易有限公司 (Shanghai Yunhao Trading Limited*) at a consideration of RMB34,180,000. The disposal was completed during 1H-2021.

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

Save as disclosed above, during the 1H-2021, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.





MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT

As at 30 June 2021, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

After the end of 1H-2021, the Group received payment of approximately RMB32.7 million for the settlement of a court case involving breach of entrusted loan agreement by a debtor of the Group. Impairment loss in relation to such entrusted loan and accrual interest in the amount of HK\$11.9 million and HK\$26.3 million have been made in the financial statements of the Group for the year ended 31 December 2018 and 31 December 2019 respectively.

Save as disclosed above, there have been no other significant events of the Group occurred since the end of 1H-2021.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Continuing operations			
Revenue	3	384,476	297,820
Cost of sales and services		(322,199)	(254,173)
Gross profit		62,277	43,647
Other income	5	20,751	15,517
Impairment losses under expected credit model, net of reversal	14	(4,000)	1,267
Other gains and losses	5	(11,968)	(19,214)
Research and development expenses		(77,158)	(35,935)
Selling and distribution costs		(13,211)	(11,520)
Administrative expenses		(48,154)	(28,671)
Share of results of associates		10,206	(223)
Finance costs		(2,258)	(1,389)
Loss before taxation		(63,515)	(36,521)
Taxation	6	3,841	2,258
Loss for the period from continuing operations	8	(59,674)	(34,263)
Discontinued operations			
Loss for the period from discontinued operations		(9,831)	(8,630)
Loss for the period		(69,505)	(42,893)

INTERIM FINANCIAL STATEMENTS

	NOTE	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Loss for the period attributable to owners of the Company:			
– from continuing operations		(60,465)	(33,647)
– from discontinued operations		(9,245)	(13,343)
		(69,710)	(46,990)
Profit (loss) for the period attributable to non-controlling interests:			
– from continuing operations		791	(616)
– from discontinued operations		(586)	4,713
		205	4,097
Total (loss) profit for the period attributable to:			
Owners of the Company		(69,710)	(46,990)
Non-controlling interests		205	4,097
		(69,505)	(42,893)
Loss per share (HK cents)	10		
From continuing and discontinued operations			
Basic		(3.0)	(1.9)
Diluted		(3.0)	(1.9)
From continuing operations			
Basic		(2.6)	(1.4)
Diluted		(2.6)	(1.4)

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTE	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Loss for the period	8	(69,505)	(42,893)
Other comprehensive income (expense) for the period:			
Items that will not be subsequently reclassified to profit or loss for the period:			
Surplus on transfer of right-of-use assets and property, plant and equipment to investment properties at fair value		14,236	2,495
Fair value gain (loss) on investment in equity instrument at fair value through other comprehensive income		963	(10)
Deferred tax relating to items that will not be reclassified to profit or loss		(3,720)	(621)
Exchange difference arising on translation to presentation currency		2,848	(21,261)
Other comprehensive income (expense) for the period		14,327	(19,397)
Total comprehensive expense for the period		(55,178)	(62,290)
Total comprehensive (expense) income attributable to:			
Owners of the Company		(56,777)	(66,099)
Non-controlling interests		1,599	3,809
		(55,178)	(62,290)

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

		30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
	NOTES		
Non-current assets			
Investment properties	11	739,319	718,572
Property, plant and equipment	11	229,786	234,451
Right-of-use assets	11	62,667	70,019
Intangible assets	11	53,430	66,455
Deferred tax assets	12	57,033	54,029
Interests in associates		45,015	32,548
Equity instruments at fair value through other comprehensive income ("FVTOCI")	22	22,378	12,382
Other receivables		6,611	6,600
Consideration receivables		39,244	3,600
		1,255,483	1,198,656
Current assets			
Inventories	15	231,494	219,575
Properties held for sale		9,499	9,601
Trade and notes receivables	13	136,844	116,138
Other receivables, deposits and prepayments		139,051	240,232
Consideration receivables		768	26,832
Amounts due from associates		25,365	17,161
Amounts due from non-controlling shareholders of subsidiaries	17	-	4,248
Financial assets at fair value through profit or loss ("FVTPL")	22	11,559	13,784
Pledged bank deposits		15,866	5,857
Short-term bank deposits		475,524	281,617
Bank balances and cash		383,988	667,935
		1,429,958	1,602,980

INTERIM FINANCIAL STATEMENTS

	NOTES	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current liabilities			
Trade and notes payables	16	134,013	199,504
Contract liabilities		108,509	129,615
Deposits from tenants		4,846	1,348
Other payables, deposits received and accruals		35,471	36,282
Bank borrowings	18	70,317	36,000
Lease liabilities		7,466	8,764
Tax payable		36,667	36,606
		397,289	448,119
Net current assets		1,032,669	1,154,861
Total assets less current liabilities		2,288,152	2,353,517
Capital and reserves			
Share capital	19	236,254	236,254
Reserves		1,828,218	1,896,148
Equity attributable to owners of the Company		2,064,472	2,132,402
Non-controlling interests		16,795	15,463
Total equity		2,081,267	2,147,865
Non-current liabilities			
Deposits from tenants		9,847	15,797
Lease liabilities		22,622	25,075
Deferred tax liabilities	12	129,987	126,465
Deferred income		44,429	38,315
		206,885	205,652
		2,288,152	2,353,517

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021

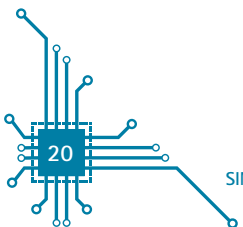
	Attributable to owners of the Company											Non-controlling interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 <i>(Note a)</i>	Other reserve HK\$'000 <i>(Note b)</i>	Share option reserve HK\$'000	Employee share trust reserve HK\$'000	Properties revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000			Total HK\$'000
At 1 January 2020 (audited)	243,072	806,123	64,250	95,282	19,041	-	202,921	2,181	15,165	120,003	524,303	2,092,341	18,330	2,110,671
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(46,990)	(46,990)	4,097	(42,893)
Other comprehensive income (expense) for the period	-	-	-	-	-	-	1,871	(7)	-	(20,973)	-	(19,109)	(288)	(19,397)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	1,871	(7)	-	(20,973)	(46,990)	(66,099)	3,809	(62,290)
Share options lapsed	-	-	-	-	(486)	-	-	-	-	-	486	-	-	-
Transfer to statutory surplus reserve	-	-	1,129	-	-	-	-	-	-	-	(1,129)	-	-	-
Repurchase of ordinary shares	(6,564)	(10,264)	-	-	-	-	-	-	6,564	-	(6,564)	(16,828)	-	(16,828)
At 30 June 2020 (unaudited)	236,508	795,859	65,379	95,282	18,555	-	204,792	2,174	21,729	99,030	470,106	2,009,414	22,139	2,031,553
At 1 January 2021 (audited)	236,254	795,094	68,300	95,282	18,554	(3,187)	234,396	1,945	21,983	188,183	475,598	2,132,402	15,463	2,147,865
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(69,710)	(69,710)	205	(69,505)
Other comprehensive income for the period	-	-	-	-	-	-	10,756	722	-	1,455	-	12,833	1,394	14,327
Total comprehensive income (expense) for the period	-	-	-	-	-	-	10,756	722	-	1,455	(69,710)	(56,777)	1,599	(55,178)
Exercise of share options	-	1	-	-	(1)	-	-	-	-	-	-	-	-	-
Share options forfeited	-	-	-	-	(107)	-	-	-	-	-	107	-	-	-
Purchase of share under the share award scheme	-	-	-	-	-	(11,443)	-	-	-	-	-	(11,443)	-	(11,443)
Disposal of subsidiaries	-	-	(1,593)	(11)	-	-	-	-	-	301	1,593	290	(267)	23
Transfer to statutory surplus reserve	-	-	350	-	-	-	-	-	-	-	(350)	-	-	-
At 30 June 2021 (unaudited)	236,254	795,095	67,057	95,271	18,446	(14,630)	245,152	2,667	21,983	189,939	407,238	2,064,472	16,795	2,081,267



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Notes:

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



INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	(26,418)	26,794
Decrease in properties held for sales	109	1,743
Decrease in contract liabilities	(19,591)	(25,914)
Other movements in working capitals	(44,331)	33,210
Cash (used in) generated from operations	(90,231)	35,833
Interest received	9,516	6,311
Tax paid	(126)	(617)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(80,841)	41,527
INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at FVTPL	167,486	16,038
Proceeds on disposal of property, plant and equipment	1,447	238
Purchase of		
– financial assets at FVTPL	(166,281)	–
– equity instruments at FVTOCI	(9,034)	–
Purchase of property, plant and equipment	(20,869)	(2,056)
Development costs paid	(20,953)	(39,053)
Net cash inflow on disposal of subsidiaries	350	–
Receipt of consideration receivables	30,192	664
Placement of pledged bank deposits	(23,899)	(33,238)
Withdrawal of pledged bank deposits	13,878	31,784
Placement of short-term bank deposits	(229,087)	(323,783)
Withdrawal of short-term bank deposits	35,100	294,680
NET CASH USED IN INVESTING ACTIVITIES	(221,670)	(54,726)

INTERIM FINANCIAL STATEMENTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	70,463	60,830
Repayments of bank borrowings	(36,135)	(76,756)
Interest paid	(1,631)	(733)
Purchase of shares under share award scheme	(11,443)	-
Repayment of lease liabilities	(5,026)	(4,809)
Repurchase of shares	-	(16,828)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	16,228	(38,296)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(286,283)	(51,495)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	667,935	611,714
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,336	840
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	383,988	561,059



INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company under the Companies Act 1981 of Bermuda (as amended) with limited liability.

The Company is an investment holding company. The principal activities of its subsidiaries are carrying out handsets and internet of things ("IOT") terminals business, electronic manufacturing services ("EMS") business, and property management in the PRC.

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

The condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.



INTERIM FINANCIAL STATEMENTS

Application of new and amendments to IFRS Standards

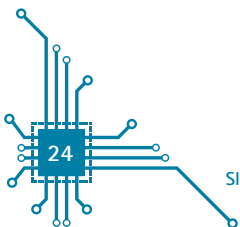
In the current interim period, the Group has applied the following amendments to IFRSs, for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

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

The application of the amendments to IFRSs in the current period has had no material impact on the Group's performance and financial positions for the current period and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



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3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2021 (unaudited)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000
Types of goods or services			
Sale of handsets and IOT terminals	308,257	–	–
Electronic manufacturing services	–	45,656	–
Property rental	–	–	30,563
Total	308,257	45,656	30,563
Revenue from contracts with customers and timing of revenue recognition			
A point in time	308,257	–	N/A
Over time	–	45,656	N/A
Total	308,257	45,656	N/A

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited) (restated)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000
Types of goods or services			
Sale of handsets and IOT terminals	244,933	-	-
Electronic manufacturing services	-	34,525	-
Property rental	-	-	18,362
Total	244,933	34,525	18,362
Revenue from contracts with customers and timing of revenue recognition			
A point in time	244,933	-	N/A
Over time	-	34,525	N/A
Total	244,933	34,525	N/A

Geographical markets

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



INTERIM FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

Segment information is presented based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

Upon the disposal of 上海雲灝貿易有限公司 (unofficial English name being Shanghai Yunhao Trading Limited) ("Shanghai Yunhao") on 6 April 2021, the Group has discontinued one of its operating segments, namely Internet of things system and online-to-offline business ("IOT system and O2O business").

During the six month ended 30 June 2021, the Group was reorganised into three (year ended 31 December 2020: four) reportable and operating segments, being handsets and IOT terminals business, EMS business, and property management.

The segment information reported does not include any amount for the discontinued operations, which are described in detail in note 7. Prior year segment disclosures have been represented to conform with the current year's presentation.

INTERIM FINANCIAL STATEMENTS

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

For the six months ended 30 June 2021 (unaudited)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue				
External sales	308,257	45,656	30,563	384,476
Segment (loss) profit	(80,647)	743	10,547	(69,357)
Other income and other gains and losses				8,783
Share of results of associates				10,206
Corporate expenses				(10,889)
Finance costs				(2,258)
Loss before taxation				(63,515)

INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020 (unaudited) (restated)

Continuing operations

	Handsets and IOT terminals business HK\$'000	EMS business HK\$'000	Property management HK\$'000	Consolidated HK\$'000
Revenue				
External sales	244,933	34,525	18,362	297,820
Segment (loss) profit	(22,324)	255	(1,600)	(23,669)
Other income and other gains and losses				(6,367)
Share of results of associates				(223)
Corporate expenses				(4,873)
Finance costs				(1,389)
Loss before taxation				(36,521)

Segment result represents the financial result by each segment without allocation of interest income, dividend income, unallocated foreign exchange loss, loss on disposal of subsidiaries, net gain or loss on financial assets at fair value through profit or loss, write-off of other receivables, share of results of associates, certain other income, corporate expenses, finance costs and taxation.

INTERIM FINANCIAL STATEMENTS

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited) (re-presented)
Segment assets		
Handsets and IOT terminals business	645,727	599,594
EMS business	126,992	152,980
Property management	789,509	762,683
Total reportable segment assets	1,562,228	1,515,257
Assets relating to discontinued operations	–	69,420
Unallocated assets	1,123,213	1,216,959
Total assets	2,685,441	2,801,636
Segment liabilities		
Handsets and IOT terminals business	334,434	386,532
EMS business	9,725	23,303
Property management	12,211	7,026
Total reportable segment liabilities	356,370	416,861
Liabilities relating to discontinued operations	–	8,408
Unallocated liabilities	247,804	228,502
Total liabilities	604,174	653,771

INTERIM FINANCIAL STATEMENTS

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain right-of-use assets, interests in associates, properties held for sale, consideration receivables, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, short-term bank deposits, bank balances and cash, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, deferred tax assets and certain other receivables, deposits and prepayments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments.

For the purposes of monitoring segment performances and allocating resources between segments, all liabilities are allocated to reportable and operating segments other than certain lease liabilities, certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities.

5. OTHER INCOME/OTHER GAINS AND LOSSES

Continuing operations

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Other income		
Refund of Value Added Tax ("VAT") (Note i)	1,030	1,300
Government grants (Note ii)	9,338	5,631
Interest income earned on bank balances	9,926	11,296
Dividend income	101	-
Others	356	(2,710)
	20,751	15,517

INTERIM FINANCIAL STATEMENTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
		(restated)
Other gains and losses		
Write off of other receivables	–	(1,896)
Write off of amount due from non-controlling shareholders of subsidiaries	–	(4,496)
Gain on disposal of property, plant and equipment	1	126
Net foreign exchange loss	(6,786)	(8,585)
Changes in fair values of investment properties	(4,181)	(8,924)
Loss on disposal of subsidiaries	(2,221)	–
Net loss arising on financial assets measured at fair value through profit or loss	(1,036)	(762)
Others	2,255	5,323
	(11,968)	(19,214)

Notes:

- (i) Shanghai Simcom Limited ("Shanghai Simcom") and Shanghai Pami Intelligent Technology Co. Limited are engaged in the business of distribution of self-developed and produced software and the development of automated test equipment and software. Under the current PRC tax regulation, they are entitled to a refund of VAT paid for sales of self-developed and produced software and the development of automated test software in the PRC.
- (ii) During the six months ended 30 June 2021, the amount includes HK\$4,490,000 (six months ended 30 June 2020: HK\$4,344,000) unconditional government grants received during the period which was granted to encourage the Group's research and developments activities in the PRC.

As at 30 June 2021, an amount of HK\$45,769,000 (31 December 2020: HK\$44,659,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).

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6. TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Continuing operations		
Taxation comprises:		
PRC Enterprise Income Tax ("EIT")	(126)	76
PRC Land Appreciation Tax ("LAT")	–	(49)
Deferred tax credit	3,967	2,231
Taxation for the period	3,841	2,258

No provision for Hong Kong Profits Tax has been made for both periods as the Group has no assessable profits arising in Hong Kong.

EIT is calculated at the rates prevailing in the relevant districts of the PRC taking relevant tax incentives into account. Shanghai Simcom, Kongtop Industrial (Shenzhen) Co., Limited, Smartwireless Technology Limited and Shanghai Sunrise Simcom Limited are classified as New and High Technology Enterprise and is entitled to adopt a tax rate of 15%. The relevant annual tax rate used for EIT for the Group's subsidiaries ranged from 15% to 25% (six months ended 30 June 2020: 15% to 25%).

For the six months ended 30 June 2020, the provision of LAT is estimated according to the requirements set forth in the relevant tax laws and regulations of the PRC, which is charged at progressive rates ranging from 30% to 60% of the appreciation value, with certain allowable deductions.

INTERIM FINANCIAL STATEMENTS

7. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

During the current interim period, the Group entered into a sale agreement to dispose of its entire 98.7% equity interest in Shanghai Yunhao that carried out the majority of the Group's IOT system and O2O business. The purpose of the disposal is to generate cash for the expansion of the Group's other businesses. The disposal was completed on 6 April 2021, on which date the Group lost control of Shanghai Yunhao. The Group's IOT system and O2O business are treated as discontinued operations.

The loss for the current period from the discontinued IOT system and O2O business is set out below. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the IOT system and O2O business as a discontinued operation.

	Period ended 6 April 2021 HK\$'000 (unaudited)	6 months ended 30 June 2020 HK\$'000 (unaudited)
Loss of IOT system and O2O business for the period	(9,831)	(4,878)
Loss on disposal of IOT system and O2O business	(808)	-
	(10,639)	(4,878)

INTERIM FINANCIAL STATEMENTS

The results of the IOT system and O2O business for the current and preceding interim periods were as follows:

	Period ended 6 April 2021 HK\$'000 (unaudited)	6 months ended 30 June 2020 HK\$'000 (unaudited)
Revenue	31,146	96,082
Cost of sales	(28,520)	(89,175)
Gross profit	2,626	6,907
Other income	523	2,488
Other gains and losses	(14)	-
Research and development expenses	(2)	(923)
Selling and distribution costs	(3,792)	(4,269)
Administrative expenses	(9,137)	(9,068)
Finance costs	(35)	-
Loss before taxation	(9,831)	(4,865)
Taxation	-	(13)
Loss for the period	(9,831)	(4,878)

INTERIM FINANCIAL STATEMENTS

The net assets of Shanghai Yunhao at the date of disposal were as follows:

	HK\$'000 (unaudited)
Net assets disposed of	39,182
Non-controlling interests disposed of	2,453
Reclassification of cumulative translation reserve upon disposal of Shanghai Yunhao to profit or loss	(16)
	<hr/>
	41,619
Loss on disposal	(808)
	<hr/>
Total consideration	<u>40,811</u>
Satisfied by:	
Cash	4,081
Deferred cash consideration (Note)	36,730
	<hr/>
	<u>40,811</u>
Net cash inflow arising on disposal:	
Total cash consideration received	4,081
Bank balances and cash disposed of	(699)
	<hr/>
	<u>3,382</u>

Note: The deferred consideration will be settled in cash by the buyer on or before the year 2026. The remaining 90% deferred consideration is separated into six instalments with 7% interest per annum.

INTERIM FINANCIAL STATEMENTS

Cash flows from Shanghai Yunhao:

	Period ended 6 April 2021 HK\$'000 (unaudited)	6 months ended 30 June 2020 HK\$'000 (unaudited)
Net cash flows from operating activities	516	(418)
Net cash flows from financing activities	(798)	(1,777)
Net cash flows	(282)	(2,195)

In addition to the disposal of Shanghai Yunhao, during the current interim period, the Group has entered into another sale agreement to dispose of its 8.6% equity interest in 上海臻康電子有限公司 (unofficial English name being Shanghai Zhenkang Electronics Limited) ("Shanghai Zhenkang") that support the Group's IOT system and O2O business. The Group originally owns 50.1% equity interest in Shanghai Zhenkang. The disposal was completed on 16 April 2021, on which date the Group lost control of Shanghai Zhenkang. With 41.5% equity interest in Shanghai Zhenkang, the directors conclude that the Group no longer controls but has significant influence over Shanghai Zhenkang and therefore it becomes as an associate of the Group.

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The net assets of Shanghai Zhenkang at the date of disposal were as follows:

	HK\$'000 (unaudited)
Net assets disposed of	5,450
Non-controlling interest disposed of	(2,720)
Reclassification of cumulative translation reserve upon disposal of Shanghai ZhenKang to profit or loss	(285)
	<u>2,445</u>
Loss on disposal	(1,413)
Total consideration	<u>1,032</u>
Satisfied by:	
Cash	<u>1,032</u>
Net cash outflow arising on disposal:	
Total cash consideration received	1,032
Bank balances and cash disposed of	(4,064)
	<u>(3,032)</u>

On 23 December 2020, the Group entered into sale agreements to dispose of a subsidiary, 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"), which carried out majority of the Group's intelligent manufacturing business. The disposal was completed on 24 December 2020, on which date the control of Shanghai Jizhi passed to the acquirer.

The loss for the prior period from the discontinued operations is set out below. The prior year figure in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to re-present the intelligent manufacturing business as a discontinued operation.



INTERIM FINANCIAL STATEMENTS

The results of the intelligent manufacturing business for the preceding interim periods were as follows:

	6 months ended 30 June 2020 HK\$'000 (unaudited)
Revenue	36,691
Cost of sales	(25,827)
Gross profit	10,864
Other income	1,422
Research and development expenses	(3,994)
Selling and distribution costs	(2,611)
Administrative expenses	(9,855)
Loss before taxation	(4,174)
Taxation	422
Loss for the period	(3,752)

Cash flows from Shanghai Jizhi:

	6 months ended 30 June 2020 HK\$'000 (unaudited)
Net cash flows from operating activities	3,740
Net cash flows from investing activities	(2,779)
Net cash flows from financing activities	(743)
Net cash flows	218

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8. LOSS FOR THE PERIOD

Six months ended 30 June

2021	2020
HK\$'000	HK\$'000
(unaudited)	(unaudited)
	(restated)

Loss for the period from continuing operations has been arrived at after charging (crediting) the following items:

Amortisation of intangible assets (included in cost of sales and services)	33,976	38,333
Less: Amount capitalised in development costs	(135)	(3,354)
Less: Amount capitalised in inventories	(33,841)	(34,979)
	-	-
Depreciation of property, plant and equipment	16,421	20,375
Less: Amount capitalised in development costs	(1,370)	(1,227)
Less: Amount capitalised in inventories	(13,323)	(12,820)
	1,728	6,328
Depreciation of right-of-use assets	5,128	3,861
Staff costs including directors' emoluments	94,351	83,192
Less: Amount capitalised in development costs	(23,166)	(22,855)
Less: Amount capitalised in inventories	(11,313)	(7,633)
	59,872	52,704
Costs of inventories recognised as an expense (included in cost of sales and services)	278,081	221,149
Cost of manufacturing services (included in cost of sales and services)	44,118	33,024

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9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

10. LOSS PER SHARE

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:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share (loss for the period attributable to the owners of the Company)	<u>(69,710)</u>	<u>(46,990)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>2,362,549</u>	<u>2,410,381</u>

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From continuing operations

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss figures are calculated as follow:		
Loss for the period attributable to owners of the Company	(69,710)	(46,990)
Add: Loss for the period from discontinued operations	9,245	13,343
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	(60,465)	(33,647)

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 from discontinued operations is HK0.4 cents per share (2020: HK0.5 cents per share) based on the loss for the period from discontinued operations of HK\$9,245,000 (2020: HK\$13,343,000) and the denominators detailed above for both basic and diluted loss per share.

For the six months ended 30 June 2021 and 2020, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since the exercise would result in a decrease in loss per share.



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

Investment properties

The fair value of the Group's investment properties at 30 June 2021 and 31 December 2020 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not related to the Group.

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions. The rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial and industrial properties in Shanghai and Shenyang. There has been no change from the valuation technique used in the prior year.

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

During the current interim period, the Group has transferred certain buildings from property, plant and equipment and right-of-use assets with aggregate carrying amount of HK\$9,447,000 (six months ended 30 June 2020: HK\$2,427,000) to investment properties because its use has changed as evidenced by the end of owner-occupation. The difference between the carrying amounts and the fair values of the relevant properties at the date of transfer amounts to HK\$14,236,000 (six months ended 30 June 2020: HK\$2,495,000) and is recognised in other comprehensive income.



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The fair value of investment properties as at 30 June 2021 is HK\$739,319,000 (31 December 2020: HK\$718,572,000) and a fair value loss of HK\$4,181,000 (six months ended 30 June 2020: fair value loss of HK\$8,924,000) have been recognised directly in profit or loss for the six months ended 30 June 2021.

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to HK\$20,869,000 (six months ended 30 June 2020: HK\$2,056,000).

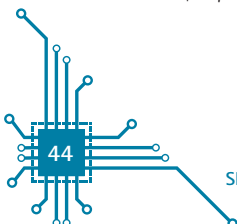
During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$2,276,000 (six months ended 30 June 2020: HK\$112,000) for cash proceeds of HK\$1,447,000 (six months ended 30 June 2020: HK\$238,000), resulting in a gain on disposal of HK\$1,000 (six months ended 30 June 2020: gain on disposal of HK\$126,000). In addition, certain property, plant and equipment with carrying amount of HK\$830,000 are disposed as a result of the disposal of Shanghai Yunhao and Shanghai Zhenkang.

Right-of-use assets

During the current interim period, the Group entered into several new lease agreements for the use of office premises and warehouses with lease term ranged from two to three years. The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised right-of-use assets and lease liability amounted to HK\$2,604,000 (six months ended 30 June 2020: HK\$24,951,000).

Intangible assets

During the current interim period, additions to the Group's intangible assets amounted to HK\$20,953,000 (six months ended 30 June 2020: HK\$39,053,000) including addition to development costs of HK\$20,953,000 (six months ended 30 June 2020: HK\$39,012,000) for development projects on the products.





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12. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Deferred tax assets	57,033	54,029
Deferred tax liabilities	(129,987)	(126,465)
	(72,954)	(72,436)

INTERIM FINANCIAL STATEMENTS

13. TRADE AND NOTES RECEIVABLES

The normal credit period given on sale of goods and services relating to handsets and IOT terminals business and EMS business is 0-90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. There is no credit given to sales of properties.

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade receivables		
0-30 days	72,444	50,795
31-60 days	20,623	28,060
61-90 days	13,698	7,444
91-180 days	7,631	6,427
Over 180 days	29,592	30,744
	143,988	123,470
Less: Accumulated for credit losses	(26,130)	(26,490)
	117,858	96,980
Notes receivables (<i>Note</i>)		
0-30 days	3,013	-
31-60 days	9,740	7,577
61-90 days	874	2,936
91-180 days	5,239	8,446
Over 180 days	120	199
	18,986	19,158
Trade and notes receivables	136,844	116,138

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

INTERIM FINANCIAL STATEMENTS

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Impairment losses recognised (reversed) in respect of		
Trade receivables	2,000	(1,267)
Other receivables	1,200	-
Amounts due from associates	800	-
	4,000	(1,267)

The basis of determining the inputs and assumptions and the estimation techniques used in the consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

15. INVENTORIES

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Raw materials	167,527	167,843
Work in progress	16,052	28,336
Finished goods	47,915	23,396
	231,494	219,575

INTERIM FINANCIAL STATEMENTS

16. TRADE AND NOTES PAYABLES

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

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Trade payables		
0-30 days	107,165	129,913
31-60 days	5,468	1,884
61-90 days	1,074	5,899
Over 90 days	20,306	47,167
	134,013	184,863
Notes payables		
0-30 days	-	14,641
Trade and notes payables	134,013	199,504

INTERIM FINANCIAL STATEMENTS

17. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

Amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand. The amount is decreased to nil as at 30 June 2021 as a result of the disposal of Shanghai Zhenkang.

18. BANK BORROWINGS

During the current period, the Group obtained new short-term borrowings with total amount of HK\$70,463,000 (six months ended 30 June 2020: HK\$60,830,000). The bank borrowings carry fixed interest rate ranged from 2.9% to 3.05% per annum (six months ended 30 June 2020: fixed interest rate at 3.9% per annum) and are repayable within one year. Pursuant to the loan agreements, the bank borrowings were secured by investment properties, property, plant and equipment, right-of-use assets and pledged bank deposits.

19. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2021 and 30 June 2021	3,000,000	300,000
Issued:		
At 1 January 2021	2,362,546	236,254
Exercise of share options	3	—*
At 30 June 2021	2,362,549	236,254

* The amount is less than HK\$1,000.

INTERIM FINANCIAL STATEMENTS

20. COMMITMENTS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Expenditure in respect of investments in associates contracted for but not provided in the condensed consolidated financial statements	4,808	4,800
Capital commitment in respect of an unlisted equity instrument	9,015	-
	13,823	4,800

INTERIM FINANCIAL STATEMENTS

21. RELATED PARTY TRANSACTIONS

The Group has following transactions and balances with related parties:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Amounts due from associates	<u>25,365</u>	<u>17,161</u>

The amount due from associates are unsecured, interest free with 30-60 days credit terms.

	Six months ended 30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited) (restated)
Handset and IOT terminals business income from associates	<u>1,766</u>	<u>-</u>

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

	Six months ended 30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short term benefits	1,411	1,506
Post-employment benefits	<u>144</u>	<u>66</u>
	<u>1,555</u>	<u>1,572</u>



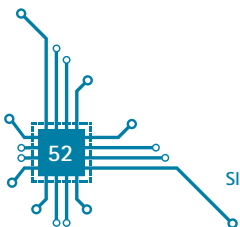
INTERIM FINANCIAL STATEMENTS

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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



INTERIM FINANCIAL STATEMENTS

	Fair value as at			Valuation techniques and key input(s)	Relationship of unobservable inputs to fair value
	30 June 2021 HK\$'000	31 December 2020 HK\$'000			
	(unaudited)	(audited)	Fair value hierarchy		
Financial assets:					
Equity instruments at FVTOCI	22,378	12,382	Level 3	Market approach – in this approach, price to book value (PB multiple) adjusted with discount for lack of marketability was adopted for the valuation of the ownership of the investee base on PB multiple of a group of comparable companies in the market in the similar business.	An increase in the adjusted net assets, holding all other variables constant would increase the carrying amount.
Financial assets at FVTPL					
– listed equity security	5,220	6,408	Level 1	Quoted bid prices in an active market.	N/A
– unlisted investment	6,339	7,376	Level 2	Market price quoted from a company engaged in asset management business.	N/A

INTERIM FINANCIAL STATEMENTS

Reconciliation of Level 3 fair value measurements

	Equity instruments at FVTOCI HK\$'000
As at 1 January 2020 (audited)	669
Total losses in other comprehensive income	(10)
Exchange adjustment	(11)
	<hr/>
As at 30 June 2020 (unaudited)	648
	<hr/>
As at 1 January 2021 (audited)	12,382
	<hr/>
Purchased	9,034
Total gain in other comprehensive income	963
Exchange adjustment	(1)
	<hr/>
As at 30 June 2021 (unaudited)	<u>22,378</u>

Included in other comprehensive income is an amount of HK\$963,000 gain (six months ended 30 June 2020: HK\$10,000 loss) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of "assets revaluation reserve".

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

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



INTERIM FINANCIAL STATEMENTS

23. EVENT AFTER THE PERIOD END DATE

After the end of 1H-2021, the Group received payment of approximately RMB32.7 million for the settlement of a court case involving breach of entrusted loan agreement by a debtor of the Group. Impairment loss in relation to such entrusted loan and accrual interest in the amount of HK\$11.9 million and HK\$26.3 million have been made in the financial statements of the Group for the year ended 31 December 2018 and 31 December 2019 respectively.

OTHER INFORMATION

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

At 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (CAP 571, Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long position in the shares of the Company

Name of director	Nature of interest	Total number of ordinary shares of the Company	Total	Approximate percentage of interest in the Company (note 3)
Mr Wong Cho Tung	Corporate interest (note 1)	1,209,084,000	1,209,084,000	51.18%
	Personal interest	3,098,000	3,098,000	0.13%
	Total		1,212,182,000	51.31%
Ms Yeung Man Ying	Corporate interest (note 2)	734,857,000	734,857,000	31.10%
	Personal interest	3,418,000	3,418,000	0.14%
	Total		738,275,000	31.25%
Mr Liu Jun	Personal interest	1,000,000	1,000,000	0.04%



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Notes:

1. Mr Wong Cho Tung ("Mr Wong") controls more than one-third of the voting power of Info Dynasty Group Limited ("Info Dynasty"). Mr Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Mr Wong is the sole director of Intellipower Investments Limited ("Intellipower") and Simcom Limited ("Simcom (BVI)") is wholly-owned by Mr Wong. Therefore, Mr Wong is deemed to be interested in all the 454,227,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) respectively in the Company by virtue of Part XV of the SFO respectively.
2. Ms Yeung Man Ying ("Mrs Wong"), the spouse of Mr Wong, controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty by virtue of Part XV of the SFO.
3. Calculation of percentage of interest in the Company is based on the issued share capital of 2,362,549,300 shares of the Company as at 30 June 2021.

As at 30 June 2021, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 June 2021, the interests of the substantial Shareholders and other persons (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position in the shares of the Company

Name of shareholder	Nature of interest	Total number of ordinary shares of the Company	Approximate percentage of interest in the Company (note 1)
Info Dynasty (note 2)	Personal interest	734,857,000	31.10%
Intellipower (note 3)	Personal interest	454,227,000	19.23%

Notes:

1. Calculation of percentage of interest in the Company is based on the issued share capital of 2,362,549,300 shares of the Company as at 30 June 2021.
2. The relationship between Info Dynasty and Mr Wong and the relationship between Info Dynasty and Mrs Wong is disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Position in Shares" above.
3. The relationship between Intellipower and Mr Wong is disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Position in Shares".

Save as disclosed above, as at 30 June 2021, no other substantial Shareholders or persons had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

SHARE OPTIONS

The Company has granted share options under its share option scheme adopted in accordance with Chapter 17 of the Listing Rules. Details of outstanding share options and their movements during 1H-2021 are as follows:

Category of participants	Date of grant (note 1)	Outstanding at 1 January 2021	Exercised during the period	Lapsed/ expired during the period	Outstanding at 30 June 2021
Employees of the Group	19.7.2013	9,896,000	(3,000) (note 2)	(597,000)	9,296,000
Consultants	19.7.2013	45,400,000	-	-	45,400,000
Total		55,296,000	(3,000)	(597,000)	54,696,000

Notes:

1. In relation to each grantee of options granted on 19 July 2013, 25% of options will vest in each of the four years from 15 April 2014. The exercise price per share is HK\$0.346 and the exercise period is 15 April 2014 to 18 July 2023. No share options were granted during 1H-2021.
2. The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK\$0.355 per share.

SHARE AWARD SCHEME

On 30 September 2020 ("Date of Adoption"), the Board adopted the Share Award Scheme for the purposes of recognising the contributions by certain employees, directors, and consultants of the Company ("Eligible Persons") and giving incentives thereto in order to retain them for the continuing operation and development of the Group and attracting suitable personnel for further development of the Group.

The total number of the shares to be awarded pursuant to the Share Award Scheme shall not exceed 10% of the total issued share capital of the Company as at the Date of Adoption (i.e. 236,509,030 Shares). In any 12-month period, the maximum number of shares which may be awarded to a selected person shall not exceed 1% of the total number of the Shares as at the Date of Adoption.



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Subject to any early termination as may be determined by the Board pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Date of Adoption, after which period no further awards will be granted but the provisions of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any awards granted prior to the expiration of the Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Award Scheme.

No shares have been awarded by the Company under the Share Award Scheme since its effective date. As at 30 June 2021, there are 36,668,000 shares held for such scheme with carrying amount of HK\$14,630,000 accumulated in employee share trust reserve.

Save as disclosed above, at no time during 1H-2021 was the Company or any of its subsidiaries a party to any arrangements that would enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and save as disclosed in this report, none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during 1H-2021.

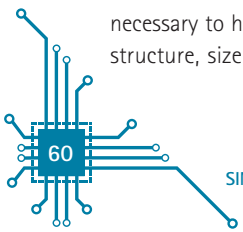
PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 1H-2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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 Listing Rules for 1H-2021.

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





OTHER INFORMATION

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 3 June 2021 ("2021 AGM"), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to illness. Mr Liu Jun, an executive Director and the chief technical officer of the Group, chaired the 2021 AGM on behalf of the chairman of the Board pursuant to the bye-laws of the Company and was available to answer questions. Mr Liu Hing Hung, an independent non-executive Director and the chairman of the remuneration committee of the Board and the audit committee of the Board ("Audit Committee"), was also available at the 2021 AGM to answer questions from Shareholders.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all Directors, that each of them has fully complied with the required standard as set out in the Model Code during 1H-2021.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and reviewed the unaudited condensed consolidated interim financial information of the Group for 1H-2021. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2021 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms YEUNG Man Ying (*Chairman*)
Mr WONG Cho Tung (*President*)
Mr LIU Jun (*Chief technical officer*)
Mr ZHU Wenhui (*appointed as Executive Director with effect from 3 February 2021*)

Independent non-executive Directors

Mr LIU Hing Hung
Mr WANG Tianmiao (*resigned as Independent non-executive Director with effect from 3 February 2021*)
Mr LI Minbo (*appointed as Independent non-executive Director with effect from 3 February 2021*)
Mr WU Zhe

AUDIT COMMITTEE

Mr LIU Hing Hung (*Chairman*)
Mr WANG Tianmiao (*resigned as a member of Audit Committee with effect from 3 February 2021*)
Mr LI Minbo (*appointed as a member of Audit Committee with effect from 3 February 2021*)
Mr WU Zhe

REMUNERATION COMMITTEE

Mr LIU Hing Hung (*Chairman*)
Mr WANG Tianmiao (*resigned as a member of Remuneration Committee with effect from 3 February 2021*)
Mr LI Minbo (*appointed as a member of Remuneration Committee with effect from 3 February 2021*)
Mr WU Zhe

COMPANY SECRETARY

Ms CHAN Chi Yin

AUDITORS

Certified Public Accountants
Registered public interest entity auditors
Deloitte Touche Tohmatsu

LEGAL ADVISER AS TO HONG KONG LAW

LCH Lawyers LLP

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Shanghai Pudong Development Bank

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