SIM Technology

SIM Technology Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)

2019
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 2019 ("1H-2019").

BUSINESS REVIEW

In 1H-2019, the global economic environment continued to be harsh. Sino-US trade tensions escalated and it was difficult for the Company to grow its businesses, thus its results for the period plummeted when compared with the six months ended 30 June 2018 ("1H-2018"). Revenue of the Group for 1H-2019 amounted to Hong Kong dollars ("HK$") 517.2 million, 66.2% less than in 1H-2018. Gross profit was HK$53.3 million, down 57.9% compared with 1H-2018. The drop in revenue and gross profit for 1H-2019 was the result of the disposal of the modules business and change of the original business model to the electronic manufacturing services ("EMS") model. Some suppliers closed down business or experienced capital chain problems due to the feeble market conditions, thus they were unable to provide materials to the Group. Therefore, the Group was unable to deliver some orders on time and that was the reason for revenue falling short of expectation. Moreover, with overseas demand shrinking at the impact of the Sino-US trade conflicts and domestic investment trending conservative, the core businesses of the Group including handsets and interest of things ("IOT") terminals, and intelligent manufacturing were affected to various extents.

Handsets and IOT terminals business

In 1H-2019, this business segment recorded revenue of HK$286.8 million, representing a 33.5% decline year-on-year. Gross profit was HK$9.4 million, down 82.2% when compared with 1H-2018. Gross profit margin also narrowed year-on-year, by 9 percentage points to 3.3%. Frequent closures among mobile phone producers resulted in bad debts, leading to frequent occurrence of capital chain ruptures among upstream suppliers and some of them were even forced to shut down. As a result, the suppliers of the Group were also greatly affected and the materials ordered by the Group were unable to be supplied in time which restricted the Group from completing some of the customers' orders and realizing revenue from those orders. This was the main reason for the decline in revenue of this business segment compared with 1H-2018. In addition, the gradually intensifying China-US trade tensions and the expectation of having high tariffs imposed on products sold to the US have had a psychological impact on customers and made them hesitate to place new orders. This further exacerbated the decline in revenue. At the same time, as certain projects currently still in preliminary investment stage either did not push out products in expected amounts or had their production halted due to the market changes, a one-off provision was made in the profit and loss statement for 1H-2019 in relation to the related research and development expenses that had already been capitalised, which explained the significant decrease in gross profit and gross profit margin of this segment for 1H-2019. The one-off provision was HK$21.1 million. Without this provision, gross profit margin of this segment should be 10.6%.

Looking at market trends, mobile internet and IOT among other telecom technologies are fast maturing, generating new businesses and applications every day. Other than telecom functions, breakthroughs have equipped terminals with new functions in format and design that can pinpoint different usage scenarios. They are also increasingly incorporated into more businesses, translating into yet more functions and services. Non-handset telecom terminals such as wearable devices, smart home or vehicle terminals are developing rapidly and in great diversity. The market remains fragmented but the Group sees ample opportunities. With so many usage scenarios to cater for, most non-handset terminals come in many varieties instead of a few standalone product categories.

The IOT terminals market is becoming more competitive and complex. Apart from traditional terminals brands in existing industries, world-renowned internet platform companies, AI unicorns and the three largest telecom operators in the People's Republic of China ("PRC") have actively pushed to tap different niche IOT terminals markets. The competitive landscape in overseas IOT terminals markets is in much the same way as that in the PRC.

Over the past few years, the Group has been focusing this business segment towards IOT/industrial application terminals, a strategy that is in line with market trend, and has reaped the fruit in certain niche areas. IOT and industrial terminals business now accounts for a significant proportion of the segment's revenue and gross profit. The Group designs and produces various intelligent terminals for customers to use in, e.g. scanning, mobile point-of-sale, intercom network terminals, encryption, augmented reality (AR) glasses and smart watches, among others. These products have earned the patronage of high-end customers in Europe, the US and Japan. In 1H-2019, the Group commenced R&D of new wearable devices and smart hardware including smart POS, AR glasses and smart bracelets. Production is expected to start and revenue is expected to be recorded in the second half of 2019.

In respect of market trends and development opportunities in the future, the gradual issuance of 5G licenses in the PRC and overseas will keep fuelling the handset replacement trend in the next few years, and the fast maturing supply chain of the consumer and the IOT terminals market will facilitate the launch and development of VR/AR, internet of vehicles and HD video transmission for various industrial application scenarios. Also, demand is growing for new forms and functions of IOT and industrial application terminals, and that points to potential business opportunities for the Group's handsets and IOT terminals business segment. As such, the Group will continue to accelerate the reform of its supply chain to heed the characteristics of industries using IOT terminals, and actively develop a number of suppliers for multi-variety and small-batch orders to ensure timely delivery of materials. In addition to serving existing quality customers well, the Group will keep finding new customers in the IOT industry at home and overseas.

Despite the fierce competition in the handset and IOT terminals market, the opportunities are unlimited and they are still the focus of the Group's businesses. With more than ten years of experience in this industry and with the Group's ability to make effective adjustment to its operational strategy, this business segment has strong potential in sustainable growth and development and it will be able to generate stable income for the Group.

EMS business

This business segment achieved revenue of HK$51.2 million in 1H-2019, a decrease of 89.8% when compared with 1H-2018. Gross profit was down 91.8% year-on-year to HK$2.1 million. In the first quarter of 2018 after the Group had completed the disposal of wireless communication modules business to Shenzhen Sunsea Communication Technology Co., Ltd. ("Sunsea"), the segment switched from the original brand manufacturer ("OBM") operation model to the EMS model. According to international accounting standards, different standards apply in recognising revenue of the two business models. In 1H-2018, the Group mainly sold finished wireless communication modules to customers and the revenue included material costs, processing fees and profit margin of the finished products. Subsequently, the business changed to delivering finished products with some of the materials for production supplied by the customers concerned, and in the final stage of the transition, all materials would be provided by the customers and the Group would only charge manufacturing fees. In 1H-2019, the Group still delivered wireless communication modules to customers, but as the revenue made only included the fees for and profit margin of processing, the amount of revenue saw a substantial drop relative to 1H-2018. As such, gross profit of the segment was squeezed in the same extent as the segmental revenue, while gross profit margin stayed about the same and was on par with the average of the EMS business market in general.

In the future, while continuing to focus on providing EMS services of wireless communication modules to Sunsea, the Group will also strive to attract new customers and process new products. Currently, it is in negotiations with internationally renowned companies in respect of its EMS services with good progress having been made. If the negotiations come to fruition and the Group's service becomes a part of the customer's supply system, revenue would be recorded by the EMS business segment in the fourth quarter of 2019.

Armed with a strong technical background, sophisticated technology and quality management system, continuous development of the IOT industry has presented the Group with new business segment opportunities. It can also, via bringing in, modifying and upgrading automated and intelligent technology production, improve its efficiency and quality. This is the strongest competitive strength of the Group recognised by many top level clients in the PRC and overseas, setting it apart from other providers of general processing service in the market. The Group's EMS processing capacity now covers areas of application including high-end luxury handset, industrial AR glasses, smart wearing, scanning terminals, and monitoring tablet. Hence, industrial products and automobile electronics will be the key business development directions of the Group in the future. The Group believes it will be able to improve production efficiency and see its EMS business segment sustain steady growth.

IOT system and online-to-offline ("O2O") business

This business segment still incurred a loss in 1H-2019. With some of the businesses divested, both revenue and expenses of the segment decreased to some extent and its gross profit margin dropped markedly. The business segment is in the "traditional industry + Internet" business realm. The original intention of the Group is to give full play to its internet technology advantages in transforming the traditional vending machine business. It is intended that the IOT cloud platform of the Group would provide online services to vending machine operators, while a subsidiary company would provide offline services such as wholesale and distribution to vending machine operators. Offline business has been a major revenue contributor of the segment, but the results of efforts made to grow the business over the past few years have proven that it is not easy to make a profit from offline business.

Nonetheless, the Group is still committed to the business and has continued to make some adjustments to its direction over the past two years. At present, we are exploring other more promising offline service and focusing on markets such as the internet of vehicles.

Due to the Group's years of experience in the technology of IOT terminals and a large number of mature products and high-quality customers, the follow-up IOT system business will strengthen the cooperation with the terminals sector to provide customers with "cloud + terminal" one-stop solution, including the provision of operational services for the system, which will be the primary market of IOT system business in the future.

Intelligent manufacturing business

Revenue of this business segment in 1H-2019 amounted to HK$46.4 million, down 48.6% against 1H-2018. Gross profit declined by 33.1% year-on-year to HK$14.4 million, whereas gross profit margin swelled when compared with 1H-2018. The increase in gross profit margin is due to the decentralization of orders, with the majority of orders being in small batches.

During the reporting period, the segment derived revenue and profit mainly from the industrial robot business department's automated testing system product line. The product line, having been in the market for years and met stringent requirements, has kept maturing and now holds a certain share of the market. Major players in the mobile phone manufacturing industry are all using the Group's products. However, the handset testing equipment market is close to saturation, hence there is not much new demand. Furthermore, with the weak global economy, escalation of Sino-US trade friction and the uncertain outlook of the real manufacturing sector, potential customers have slowed down or reduced their investments. Thus, during the reporting period, revenue from the product line declined notably when compared with the same period last year. The Group has been actively developing various industrial robots for other industries, but those products are still mainly at the technological R&D and market development stage. Some of the products have been launched but have yet to reach the expected business scale, and therefore they have yet to become the new hit products of the Group in the market.

For the reporting period, contributions from the Artificial Intelligence (AI) and machine vision product lines and industrial IOT product line still only accounted for a relatively small proportion of the segmental revenue, but the improvement was apparent against the last corresponding period. In view of the Group's leading technological advantages in this field, the Group believes that its AI and visual product lines and industrial IOT product lines will become growth drivers of the business segment in the future.

Looking ahead, although overall investment has become more conservative because of the uncertain external environment, the demand from manufacturers to transform their production by using machines to replace human labour remains strong.

In the future, the Group will strive to maintain its competitive advantages, develop new products and new markets, and enlarge its market share. The gradual commercial rollout of 5G has brought new market opportunities, such as the growing demand for replacement of testing equipment. The Group will grasp this opportunity quickly by capitalising on its technological advantages in product R&D, the good word-of-mouth it has built up and the trust it has earned from existing customers. The Group believes its AI and machine vision product lines and IOT product line, which have been nurtured by the Group for the past few years, will bring to it increasingly impressive returns.

Property development

As at 30 June 2019, "The Riverside Country" (晨興 • 翰林水郡), in Shenyang City, the PRC, has a total of 1,842 residential units in all its four phases, of which 1,836 units have been sold.

As at 30 June 2019, "Seven River in Sweet" (七里香溪), in Taizhou City, the PRC, has a total of 748 residential units, 9 shops and 22 commercial units completed in all its two phases, of which 747 residential units, 7 shops and 22 commercial units have been sold and delivered to the buyers.

A substantial amount of the above properties was sold and delivered to the buyers in 1H-2018 and only a small amount of properties remaining was sold and delivered in 1H-2019, resulting in a huge decrease in revenue to HK$5.6 million (2018: HK$330.9 million) with a gross profit margin of 23.9% (2018: -4.1%).

Property management

As at 30 June 2019, the revenue of property management was mainly derived from the leasing of SIM Technology Building Block A and Block B in Shanghai and factory units in Shanghai and Shenyang. A total area of approximately 43,000 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 property management for 1H-2019 amounted to HK$21.0 million (2018: HK$19.0 million) with a gross profit margin of 94.5% (2018: 91.8%).

Prospects

As anticipated, 2019 has been ridden with uncertainties and might just be the most difficult year in the Group's development history. A relatively large loss was recorded for 1H-2019, and the Group might continue to incur a loss in the second half of 2019.

The Group strives to transform its business from handset original design manufacturing ("ODM") to IOT industry terminals and from a highly centralized business model to a decentralized business model. So far, there has not been a market that can match the size of the handset ODM market, nor can we predict when and in what form the next such large market will appear. At present, the Group's strategy is to pay extensive attention, make arrangements, and actively participate in making certain technical preparations and become involved in exploratory projects so that it will not miss out when there is explosive growth in any segment of the IOT industry.

The management believes, despite that the Group is facing a very difficult operating environment and some of its existing businesses are reaching a bottleneck, the Group's quality assets, outstanding talent pool, abundant reserve of advanced technologies, mature corporate culture and solid groundwork, will no doubt allow the Group to brave the difficulties ahead and stay at the forefront of the industry to capture new opportunities.

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, 22 August 2019

FINANCIAL REVIEW

For 1H-2019, the revenue of the Group was HK$517.2 million (2018: HK$1,528.6 million), in which the revenue from handsets and IOT terminals business, EMS business, IOT system and O2O business and intelligent manufacturing business (together, "core business") decreased by 58.4% to HK$490.6 million (2018: 1,178.6 million) as compared with that of 1H-2018. The revenue from the sale of residential properties and property management (together "non-core business") decreased by 92.4% to HK$26.6 million in 1H-2019 as compared with that in 1H-2018 (2018: HK$350.0 million).

The gross profit for 1H-2019 for core business of the Group decreased period-to-period by 73.9% to HK$32.1 million (2018: HK$122.9 million). The gross profit margin for core business decreased to 6.6% (2018: 10.4%). The overall gross profit margin of the Group for 1H-2019 increased to 10.3% (2018: 8.3%).

As a result of the decrease in revenue in 1H-2019, an absence of gain on disposal of wireless communication modules business which was completed in 1H-2018, a one-off provision in relation to related research and development expenses already capitalised and a provision on the entrusted loan receivables, the Group achieved a loss attributable to owners of the Company of HK$92.8 million (2018: profit attributable to the owners of the Company of HK$330.0 million). The basic loss per share for 1H-2019 was HK3.7 cents (2018: the basic earnings per share was HK12.9 cents).

Segment results of core business

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	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	**287**	**10**	**3.3**	432	53	12.3
EMS business	**51**	**2**	**4.1**	501	26	5.2
IOT system and O2O business	**106**	**6**	**5.8**	156	23	14.4
Intelligent manufacturing business	**46**	**14**	**31.0**	90	21	23.8
Total	**490**	**32**	**6.6**	1,179	123	10.4

Handsets and IOT terminals business

The revenue of handsets and IOT terminals business for 1H-2019 decreased by 33.5% to HK$286.8 million (2018: HK$431.3 million) as compared to that of 1H-2018. Fierce competition and frequent closures among mobile phone producers caused great damage to the supply chain of mobile phones. Frequent occurrence of capital chain ruptures among suppliers led to delays in deliveries and some suppliers were even forced to shut down. The Group was therefore restricted from completing some of the orders and realizing revenue from those orders. This was the main reason for the decline in revenue of this business segment compared with the same period last year. In addition, the gradually intensifying Sino-US trade tensions and the possibility of having high tariffs imposed on products sold to the US have had a psychological impact on customers and made them hesitate to place orders. This further exacerbated the decline in revenue. The gross profit margin for this segment decreased to 3.3% in 1H-2019 (2018: 12.3%) which was mainly due to the one-off provision in relation to related research and development expenses already capitalised. The one-off provision was HK$21.1 million. Without this provision, gross profit margin of this segment should be 10.6%. The revenue of ODM business contributed to approximately 88% of the revenue of this segment in 1H-2019 (2018: 88%).

EMS business

After the completion of disposal of wireless communication modules business in 1H-2018, the business nature of this segment was changed from OBM to EMS provider and the Group no longer bears the R&D and sales expenses of the modules business. However, the gross profit of EMS was lower than that of OBM. In 1H-2019, the revenue of this segment decreased year-on-year by 89.8% and the gross profit margin decreased year-on-year to 4.1% (2018: 5.2%).

IOT system and O2O business

During 1H-2019, with some of the businesses divested, both revenue and expenses of the segment decreased to some extent and its gross profit margin dropped markedly. The revenue of this segment recorded was HK$106.2 million (2018: HK$156.0 million) and the gross profit margin decreased to 5.8% (2018: 14.4%).

Intelligent manufacturing business

During 1H-2019, due to the decentralization of orders, with the majority of orders being in small batches, the gross profit margin increased to 31.0% in 1H-2019 (2018: 23.8%) although the revenue of this segment decreased to HK$46.4 million (2018: HK$90.3 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2019, the Group had bank balances and cash of HK$705.8 million (31 December 2018: HK$647.8 million), of which 60.2% was held in US dollars, 39.7% was held in Renminbi and the remaining balance was held in Hong Kong dollars. As at 30 June 2019, the Group also had pledged bank deposits of HK$21.1 million (31 December 2018: HK$57.6 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$107.1 million as at 30 June 2019 (31 December 2018: HK$83.9 million), of which HK$58.3 million was denominated in Renminbi and HK$48.8 million was denominated in US dollars. All of the bank borrowings were charged by banks at floating interest rates and repayable within one year.

Operating efficiency

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

	30 June 2019 Days	31 December 2018 Days
Inventory turnover period	**149**	121
Trade and notes receivables turnover period	**82**	55
Trade and notes payables turnover period	**89**	58

In 1H-2019, the decrease in cost of sales was more than the decrease in average inventory balance. The inventory turnover period of 1H-2019 thus increased significantly as compared to that of year 2018.

Due to the significant decrease in revenue of 1H-2019, the overall trade and notes receivables turnover period increased for 1H-2019 as compared to that of year 2018.

The trade and notes payables turnover period increased for 1H-2019 as compared to that of year 2018 due to the significant decrease in purchase for 1H-2019.

As at 30 June 2019, the current ratio, calculated as current assets over current liabilities, was 2.7 times (31 December 2018: 3.1 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group to understand its ability to convert inventory into cash and sales 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, therefore exposing the Group to the currency risk of US dollars. During 1H-2019, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposures in US dollars when necessary.

Capital structure

As at 30 June 2019, the Company had 2,458,328,300 ordinary shares of HK$0.10 each in issue.

No shares of the Company have been issued during 1H-2019.

CASH FLOW STATEMENT HIGHLIGHTS

The following is the highlights of the cash flow statement of the Group for 1H-2019 and 1H-2018:

	1H-2019	1H-2018
	HK$'M	HK$'M
Net cash from operating activities	**205.9**	150.3
Capital expenditure	**(20.8)**	(31.1)
Development costs	**(63.1)**	(108.3)
Net increase (decrease) in bank borrowings	**15.2**	(22.6)
Net decrease in other liabilities	**(30.1)**	(86.1)
Net cash inflow from disposal of subsidiaries	**–**	407.5
Cash transferred to non-controlling interest upon share reduction in registered capital of a subsidiary that does not result in losing control	**(45.4)**	–
Dividend paid	**(25.0)**	(143.3)
Interest paid	**(0.4)**	(2.0)
Repurchase of shares	**(16.2)**	–
Others	**1.5**	6.2
Net increase in cash and cash equivalents (including pledged bank deposits)	**21.6**	170.6

GEARING RATIO

As at 30 June 2019, the total assets of the Group were HK$2,872.8 million (31 December 2018: HK$2,972.0 million) and the bank borrowings were HK$107.1 million (31 December 2018: HK$83.9 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 3.7% (31 December 2018: 2.8%).

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 its 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 2019, the Group had approximately 1,660 (31 December 2018: 1,760) employees. The Group operates a mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group has a comprehensive training system in place that establishes a network-based career path for employees, including position and ability management, skills enhancement programme, various training opportunities, online learning programme for staff, internal promotion system, key employees development programme, succession plans for key positions and leadership development programme. The Group also offers discretionary bonuses and may grant share options under the share option scheme of the Company to its employees by reference to individual performance and the performance of the Group.

EMOLUMENT POLICY

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENT

The Group did not have any plans for material investment or capital assets during 1H-2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During 1H-2019, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT

As at 30 June 2019, the available-for-sale investment represented the Group's investment in 0.79% of the shares in Shanghai Guao Electronic Technology Co., Ltd ("Shanghai Guao") ("Investment") and the Investment cost was approximately HK$4.6 million. In 2016, Shanghai Guao became listed on the ChiNext of the Shenzhen Stock Exchange. The fair value, based on the quoted market price, of the Investment at 30 June 2019 was approximately HK$15.2 million (31 December 2018: HK$38.6 million). Shanghai Guao specializes in research and development, manufacturing, marketing and service of innovative financial equipment. The Group noted the development strategy of Shanghai Guao as stated in its annual report for the year 2018 issued in April 2019, that Shanghai Guao will focus on new financial products based on its existing production system and technology reserve. Shanghai Guao will continue to develop its technology so as to improve its sales and after-sale service. Shanghai Guao will also develop projects in relation to automated cash treatment.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

There have been no significant events of the Group occurred since the end of 1H-2019.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	3	**517,177**	1,528,556
Cost of sales and services		**(463,875)**	(1,401,903)
Gross profit		**53,302**	126,653
Other income	5	**14,679**	15,929
Other expenses		**–**	(90,499)
Other gains and losses	5	**(23,679)**	512,164
Research and development expenses		**(48,836)**	(29,910)
Selling and distribution costs		**(36,836)**	(71,173)
Administrative expenses		**(49,971)**	(62,225)
Share of results of associates		**(1,039)**	(335)
Finance costs		**(640)**	(2,041)
(Loss) profit before taxation		**(93,020)**	398,563
Taxation	6	**3,192**	(81,479)
(Loss) profit for the period	7	**(89,828)**	317,084
(Loss) profit for the period attributable to:			
Owners of the Company		**(92,789)**	330,047
Non-controlling interests		**2,961**	(12,963)
		(89,828)	317,084
(Loss) Earnings per share (HK cents)	9		
Basic		**(3.7)**	12.9
Diluted		**(3.7)**	12.9

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	 2018 HK$'000 (unaudited)
(Loss) profit for the period	7	**(89,828)**	317,084
Other comprehensive expense for the period:			
Items that will not be subsequently reclassified to profit or loss for the period:			
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value		**23,146**	6,757
Fair value gain (loss) on investment in equity instrument at fair value through other comprehensive income		**3,607**	(18,355)
Deferred tax relating to items that will not be reclassified to profit or loss		**(6,689)**	2,900
Exchange difference arising on translation to presentation currency		**4,070**	(6,776)
Other comprehensive income (expense) for the period		**24,134**	(15,474)
Total comprehensive (expense) income for the period		**(65,694)**	301,610
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(68,242)**	316,540
Non-controlling interests		**2,548**	(14,930)
		(65,694)	301,610

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Non-current assets			
Investment properties	10	**511,100**	479,282
Property, plant and equipment	10	**297,392**	306,179
Right-of-use assets	10	**68,716**	–
Land use rights		**–**	68,104
Intangible assets	10	**129,927**	147,950
Goodwill	19	**3,831**	–
Deferred tax assets	11	**49,685**	44,606
Finance lease receivables		**–**	328
Interests in associates	10	**33,248**	3,044
Equity instruments at fair value through other comprehensive income ("FVTOCI")	22	**15,717**	39,149
Other receivables		**8,549**	8,793
Consideration receivables		**4,805**	4,796
		1,122,970	1,102,231
Current assets			
Inventories	14	**376,359**	372,846
Finance lease receivables		**413**	432
Properties held for sale		**32,250**	41,683
Trade and notes receivables	13A	**229,024**	231,499
Contract assets	13B	**3,660**	36,353
Other receivables, deposits and prepayments		**349,806**	423,913
Amount due from an associate	16	**2,200**	4,400
Amounts due from non-controlling shareholders of subsidiaries	16	**4,496**	4,496
Consideration receivables		**3,497**	4,601
Financial assets at fair value through profit or loss	22	**21,232**	18,278
Entrusted loan receivable	12	**–**	25,946
Pledged bank deposits		**21,050**	57,557
Bank balances and cash		**705,846**	647,776
		1,749,833	1,869,780

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Current liabilities			
Trade and notes payables	15	**168,916**	184,822
Contract liabilities		**258,047**	219,345
Other payables, deposits received and accruals		**68,490**	50,498
Other liabilities		**–**	29,692
Bank borrowings	17	**107,064**	83,887
Lease liabilities		**9,208**	–
Tax payable		**44,499**	43,931
		656,224	612,175
Net current assets		**1,093,609**	1,257,605
Total assets less current liabilities		**2,216,579**	2,359,836
Capital and reserves			
Share capital	18	**245,832**	252,025
Reserves		**1,800,101**	1,907,009
Equity attributable to owners of the Company		**2,045,933**	2,159,034
Non-controlling interests		**20,457**	63,405
Total equity		**2,066,390**	2,222,439
Non-current liabilities			
Lease liabilities		**4,881**	–
Deferred tax liabilities	11	**107,916**	98,200
Deferred income		**37,392**	39,197
		150,189	137,397
		2,216,579	2,359,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Statutory surplus reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	Share option 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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (audited)	255,955	832,066	50,084	97,104	29,746	102,827	47,534	2,282	187,950	512,262	2,117,810	101,481	2,219,291
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	330,047	330,047	(12,963)	317,084
Other comprehensive income (expense) for the period	-	-	-	-	-	5,068	(13,766)	-	(4,809)	-	(13,507)	(1,967)	(15,474)
Total comprehensive income (expense) for the period	-	-	-	-	-	5,068	(13,766)	-	(4,809)	330,047	316,540	(14,930)	301,610
Shares options based	-	-	-	-	(2,978)	-	-	-	-	2,978	-	-	-
Acquisition of additional interests in subsidiaries	-	-	-	(1,822)	-	-	-	-	-	-	(1,822)	(6,148)	(7,970)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(10,975)	10,975	-	(97)	(97)
Disposal of partial interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,188	1,188
Transfer to statutory surplus reserve	-	-	5,876	-	-	-	-	-	-	(5,876)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(143,335)	(143,335)	-	(143,335)
At 30 June 2018 (unaudited)	255,955	832,066	55,960	95,282	26,768	107,895	33,768	2,282	172,166	707,051	2,289,193	81,494	2,370,687
At 31 December 2018 (audited)	252,025	824,207	53,123	95,282	19,231	139,557	17,184	6,212	132,799	619,414	2,159,034	63,405	2,222,439
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(92,789)	(92,789)	2,961	(89,828)
Other comprehensive income (expense) for the period	-	-	-	-	-	17,359	2,705	-	4,483	-	24,547	(413)	24,134
Total comprehensive income (expense) for the period	-	-	-	-	-	17,359	2,705	-	4,483	(92,789)	(68,242)	2,548	(65,694)
Share options lapsed	-	-	-	-	(190)	-	-	-	-	190	-	-	-
Gain on partial disposal of equity instruments at FVTOCI	-	-	-	-	-	-	(9,322)	-	-	9,322	-	-	-
Reduction in registered capital in a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	-	-	-	(45,354)	(45,354)
Transfer to statutory surplus reserve	-	-	3,519	-	-	-	-	-	-	(3,519)	-	-	-
Repurchase of ordinary shares	(6,193)	(13,673)	-	-	-	-	-	6,193	-	(6,193)	(19,866)	-	(19,866)
Dividends paid	-	-	-	-	-	-	-	-	-	(24,993)	(24,993)	-	(24,993)
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(142)	(142)
At 30 June 2019 (unaudited)	245,832	810,534	56,642	95,282	19,041	156,916	10,567	12,405	137,282	501,432	2,045,933	20,457	2,066,390

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**31,726**	84,922
Decrease in properties under development for sales and properties held for sales	**3,907**	335,584
Decrease (increase) in contract liabilities	**38,753**	(243,808)
Other movements in working capitals	**126,448**	34,869
Cash generated from operations	**200,834**	211,567
Interest received	**3,680**	2,395
Tax refund (paid)	**1,378**	(63,701)
NET CASH FROM OPERATING ACTIVITIES	**205,892**	150,261
INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	**–**	(16,946)
Purchase of equity instruments at FVTOCI	**(945)**	(2,473)
Proceeds from disposal of equity instruments at FVTOCI	**28,320**	16,624
Purchase of property, plant and equipment	**(20,753)**	(31,052)
Proceeds on disposal of property, plant and equipment	**311**	1,840
Expenditure paid for intangible assets	**(63,112)**	(108,318)
Investment in an associate	**(4,576)**	–
Net cash outflow on acquisition of a subsidiary	**(18,412)**	–
Net cash inflow from disposal of subsidiaries	**–**	407,536
Placement of pledged bank deposits	**(21,620)**	(42,058)
Withdrawal of pledged bank deposits	**58,644**	30,925
Dividend received	**–**	146
Advance to an associate	**–**	(600)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(42,143)**	255,624

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	**107,326**	–
Repayments of bank borrowings	**(92,081)**	(22,632)
Decrease in other liabilities	**(30,082)**	(86,125)
Interest paid	**(397)**	(2,041)
Dividend paid	**(24,993)**	(143,335)
Dividend paid to non-controlling shareholders of a subsidiary	**(142)**	–
Proceeds from disposal of partial interest in a subsidiary that does not result in losing control	**–**	1,188
Cash transferred to non-controlling interest of a subsidiary upon share reduction in registered capital of a subsidiary that does not result in losing control	**(45,354)**	–
Net cash used in acquisitions of additional interests in subsidiaries	**–**	(833)
Repayment of lease liabilities	**(3,260)**	–
Repurchase of shares	**(16,195)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(105,178)**	(253,778)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**58,571**	152,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**647,776**	417,092
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(501)**	8,127
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**705,846**	577,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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, IOT system and online-to-offline ("O2O") business, intelligent manufacturing business, property development 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" issued by the International Accounting Standards Board ("IASB") 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 the change in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle

Except as described below, the application of the new and 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.

2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of Office premises and warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates followings a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial applications; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of HK$11,856,000 and right-of-use assets of HK$79,960,000 at 1 January 2019 by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.1% per annum.

As a lessee

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	17,314
Lease liabilities discounted at relevant incremental borrowing rates	15,394
Less: Recognition exemption – short term leases	(3,538)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	11,856
Analysed as	
Current	4,815
Non-current	7,041
	11,856

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	11,856
Reclassified from land use rights	68,104
	79,960
By class:	
Office premises	430
Warehouses	11,426
Land use rights	68,104
	79,960

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The application has insignificant impact on the Group's condensed consolidated statement of financial position at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	HK$'000	HK$'000	HK$'000
Non-current assets			
Right-of-use assets	–	79,960	79,960
Land use rights	68,104	(68,104)	–
Current liabilities			
Lease liabilities *(Note)*	–	4,815	4,815
Non-current liabilities			
Lease liabilities *(Note)*	–	7,041	7,041

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Other than the recognised right-of-use assets and lease liabilities, the application of IFRS 16 has no material impact on the retained profits.

3. REVENUE

Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2019 (unaudited)

	Handsets and IOT terminals business HK$'000	EMS business HK$'000	IOT system and O2O business HK$'000	Intelligent manufacturing business HK$'000	Property development HK$'000	Property management HK$'000
Types of goods or services						
Sale of handsets and IOT Terminals	286,753	-	-	-	-	-
Electronic manufacturing services	-	51,170	-	-	-	-
Sale of goods to vending machine customers and franchisee	-	-	97,247	-	-	-
Equipment finance lease service	-	-	78	-	-	-
Procurement agency service	-	-	8,925	-	-	-
Sale of intelligent manufacturing products	-	-	-	46,377	-	-
Sale of properties	-	-	-	-	5,616	-
Property rental	-	-	-	-	-	21,011
Total	286,753	51,170	106,250	46,377	5,616	21,011
Revenue from contracts with customers and timing of revenue recognition						
A point in time	286,753	-	106,172	46,377	5,616	N/A
Over time	-	51,170	-	-	-	N/A
Total	286,753	51,170	106,172	46,377	5,616	N/A

For the six months ended 30 June 2018 (unaudited)

	Handsets and IOT terminals business HK$'000	EMS business HK$'000	IOT system and O2O business HK$'000	Intelligent manufacturing business HK$'000	Property development HK$'000	Property management HK$'000
Types of goods or services						
Sale of handsets and IOT Terminals	431,349	-	-	-	-	-
Own-branded products manufacturing	-	154,112	-	-	-	-
Electronic manufacturing services	-	346,877	-	-	-	-
Sale of goods to vending machine customers and franchisee	-	-	140,494	-	-	-
Equipment finance lease service	-	-	154	-	-	-
Procurement agency service	-	-	15,359	-	-	-
Sale of intelligent manufacturing products	-	-	-	90,254	-	-
Sale of properties	-	-	-	-	330,938	-
Property rental	-	-	-	-	-	19,019
Total	431,349	500,989	156,007	90,254	330,938	19,019
Revenue from contracts with customers and timing of revenue recognition						
A point in time	431,349	489,259	155,853	90,254	330,938	N/A
Over time	-	11,730	-	-	-	N/A
Total	431,349	500,989	155,853	90,254	330,938	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.

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, for the purpose of allocating resources to segments and assessing their performance.

During the six-month period ended 30 June 2019, the Group was organised into six (2018: six) reportable and operating segments, being handsets and IOT terminals business, EMS business, IOT system and O2O business, intelligent manufacturing business, property development and property management.

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

For the six months ended 30 June 2019 (unaudited)

	Handsets and IOT terminals business HK$'000	EMS business HK$'000	IOT system and O2O business HK$'000 *(Note)*	Intelligent manufacturing business HK$'000	Property development HK$'000	Property management HK$'000	Consolidated HK$'000
Revenue							
External sales	286,753	51,170	106,250	46,377	5,616	21,011	517,177
Segment (loss) profit	(59,689)	491	(8,121)	(5,584)	(2,646)	10,953	(64,596)
Other income and other gains and losses							(20,177)
Share of results of associates							(1,039)
Corporate expenses							(6,568)
Finance costs							(640)
Loss before taxation							(93,020)

For the six months ended 30 June 2018 (unaudited)

	Handsets and IOT terminals business HK$'000	EMS business HK$'000	IOT system and O2O business HK$'000 *(Note)*	Intelligent manufacturing business HK$'000	Property development HK$'000	Property management HK$'000	Consolidated HK$'000
Revenue							
External sales	431,349	500,989	156,007	90,254	330,938	19,019	1,528,556
Segment profit (loss)	9,478	429,635	(4,862)	1,245	(14,108)	15,109	436,497
Other income and other gains and losses							(20,245)
Share of results of associates							(335)
Corporate expenses							(15,313)
Finance costs							(2,041)
Profit before taxation							398,563

Note: The IOT system and O2O business is still in a developing stage in both periods. The revenue of this segment represents the income generated from equipment finance lease service, sale of goods to vending machine customers and franchisees, and provision of procurement agency service.

Segment result represents the financial result by each segment without allocation of interest income, unallocated foreign exchange loss, loss on disposal of property, plant and equipment, net gain or loss on financial assets at fair value through profit or loss, allowance for bad and doubtful debt in respect to unallocated assets, share of results of associates, certain other income, corporate expenses, finance costs and taxation.

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Segment assets		
Handsets and IOT terminals business	**715,389**	703,120
EMS business	**305,223**	395,041
IOT system and O2O business	**151,311**	154,458
Intelligent manufacturing business	**181,009**	179,853
Property development	**37,821**	46,633
Property management	**542,970**	511,633
Total segment assets	**1,933,723**	1,990,738
Unallocated assets	**939,080**	981,273
Total assets	**2,872,803**	2,972,011
Segment liabilities		
Handsets and IOT terminals business	**387,011**	336,631
EMS business	**35,203**	79,927
IOT system and O2O business	**34,200**	22,067
Intelligent manufacturing business	**52,047**	44,252
Property development	**15,722**	25,538
Property management	**7,026**	7,517
Total segment liabilities	**531,209**	515,932
Unallocated liabilities	**275,204**	233,640
Total liabilities	**806,413**	749,572

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/land use rights, interests in associates, entrusted loan receivables, consideration receivables, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, bank balances and cash, equity instruments at FVTOCI, financial assets at fair value through profit or loss, deferred tax assets, certain other receivables, deposits and prepayments and amount due from an associate. 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 other payables, accruals, tax payable, other liabilities, bank borrowings and deferred tax liabilities.

5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income		
Refund of Value Added Tax ("VAT") *(Note i)*	**2,010**	3,015
Government grants *(Note ii)*	**5,155**	8,526
Dividend income from equity investments at FVTOCI	**–**	146
Interest income earned on bank balances	**7,226**	2,271
Interest income earned on entrusted loan receivables	**–**	907
Others	**288**	1,064
	14,679	15,929
Other gains and losses		
Loss on disposal of property, plant and equipment	**(885)**	(2,469)
Net foreign exchange loss	**(6,069)**	(5,458)
Changes in fair values of investment properties	**3,078**	3,154
Net gain on disposal of subsidiaries	**–**	518,223
Net allowance for bad and doubtful debts	**(27,357)**	(11,929)
Net gain (loss) on financial assets at fair value through profit or loss	**2,954**	(372)
Others	**4,600**	11,015
	(23,679)	512,164

Notes:

(i) Shanghai Simcom Limited ("Shanghai Simcom") is engaged in the business of distribution of self-developed and produced software and the development of automated test equipment and software. Under the current PRC tax regulation, 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 2019, the amount includes HK$3,716,000 (six months ended 30 June 2018: HK$7,816,000) unconditional government grants received during the period which was granted to encourage for the Group's research and developments activities in the PRC.

As at 30 June 2019, an amount of HK$41,687,000 (31 December 2018: HK$43,035,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).

6. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Taxation comprises:		
PRC Enterprise Income Tax ("EIT")	**(3,865)**	(83,206)
PRC Land Appreciation Tax ("LAT")	**4,830**	1,557
Overprovisions on PRC EIT in previous years	**–**	553
Deferred tax credit (charge)	**2,227**	(383)
Taxation for the period	**3,192**	(81,479)

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, Shenyang SIM Simcom Technology Limited, Shanghai Sunrise Simcom Limited and Shanghai Jizhi Automation Technology Co. 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 2018: 15% to 25%).

In respect of capital gain from the disposal of subsidiaries during the six months ended 30 June 2018, capital gain for EIT purpose is the difference between the consideration received and receivable from the equity transfer and the net value of equity of the transferred entities. The tax rate used for EIT on capital gain is 10%.

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% (six months ended 30 June 2018: 30% to 60%) of the appreciation value, with certain allowable deductions.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June 2019 HK$'000 (unaudited)	Six months ended 30 June 2018 HK$'000 (unaudited)
(Loss) profit for the period is arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	**59,532**	81,716
Less: Amount capitalised in development costs	**(3,403)**	(3,842)
Less: Amount capitalised in inventories	**(56,129)**	(77,874)
	–	–
Impairment loss recognised in respect of intangible assets (included in cost of sales)	**21,072**	–
Amortisation of land use rights	**–**	1,639
Depreciation of property, plant and equipment	**27,529**	32,722
Less: Amount capitalised in development costs	**(2,284)**	(1,424)
Less: Amount capitalised in inventories	**(13,701)**	(14,635)
	11,544	16,663
Depreciation of right-of-use assets	**4,550**	–
Staff costs including directors' emoluments	**125,477**	137,030
Less: Amount capitalised in development costs	**(42,428)**	(38,373)
Less: Amount capitalised in inventories	**(7,725)**	(7,859)
	75,324	90,798
Redundancy costs	**–**	4,090
Costs of inventories recognised as an expense (included in cost of sales and services)	**410,554**	1,050,102
Costs of properties sold (included in cost of sales and services)	**4,275**	344,600

8. DIVIDENDS

During the current interim period, a special dividend of HK1 cent per share were declared and paid to the owners of the Company. The aggregate amount of the special dividends declared and paid in the interim period amounted to HK$24,993,000 (six months ended 30 June 2018: Nil).

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company)	**(92,789)**	330,047

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,493,872**	2,559,546
Effect of dilutive potential ordinary shares – share options	**–**	1,138
Weighted average number of ordinary shares for the propose of diluted (loss) earnings per share	**2,493,872**	2,560,684

For the six months ended 30 June 2019, the computation of diluted loss per share does not assume the exercise of share options since such assumed exercise would reduce loss per shares of the Company for the period.

For the six months ended 30 June 2018, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options because the exercise prices of those share options were higher than the average market price of the shares of the Company for the period.

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

Investment properties

The fair value of the Group's investment properties at 30 June 2019 and 31 December 2018 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 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 and land use rights with aggregate carrying amount of HK$4,738,000 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 value of the relevant properties at the date of transfer amounts to HK$23,146,000 and is recognised in other comprehensive income.

The fair value of investment properties as at 30 June 2019 is HK$511,100,000 (31 December 2018: HK$479,282,000) and a fair value gain of HK$3,078,000 (six months ended 30 June 2018: HK$3,154,000) have been recognised directly in profit or loss for the six months ended 30 June 2019.

Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to HK$20,753,000 (six months ended 30 June 2018: HK$31,052,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$1,196,000 (six months ended 30 June 2018: HK$4,309,000) for cash proceeds of HK$311,000 (six months ended 30 June 2018: HK$1,840,000), resulting in a loss on disposal of HK$885,000 (six months ended 30 June 2018: HK$2,469,000).

During the interim period, the Group and an independent third party set up an entity named 瀋陽智慧谷置業有限公司, in which the Group owned 49% of the equity interests and accounted for as an associate. The Group invested in 瀋陽智慧谷置業有限公司 by injection of a land and a property with carrying amount of HK$9,977,000 and HK$10,162,000. As at the date of incorporation, remeasurement gain on the land and property of HK$4,603,000 was credited to other gain and losses.

Intangible assets

During the current interim period, additions to the Group's intangible assets amounted to HK$63,112,000 (six months ended 30 June 2018: HK$108,318,000) including addition to development costs of HK$63,112,000 (six months ended 30 June 2018: HK$81,378,000) for development projects on the products.

Right-of-use assets

During the current interim period, the Group entered into certain new lease agreements for the use of office premises and warehouses for one to two 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$5,865,000.

11. DEFERRED TAXATION

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Deferred tax assets	**49,685**	44,606
Deferred tax liabilities	**(107,916)**	(98,200)
	(58,231)	(53,594)

12. ENTRUSTED LOAN RECEIVABLE

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Carrying amount receivable based on maturity set out in the loan agreement		
Within one year	**34,320**	34,260
Less:		
Allowance	**(34,320)**	(8,314)
	–	25,946

As at 30 June 2019 and 31 December 2018, the Group's wholly owned subsidiary, Shanghai Suncom Logistics Limited ("Suncom Logistics") had an entrusted loan agreement with Bank of Communications. Pursuant to the agreement, Suncom Logistics entrusted an aggregated amount of RMB30,000,000 (equivalent to approximately HK$34,320,000 (31 December 2018: HK$34,260,000)) to a specific corporate borrower at an interest rate of 10% per annum. The entrusted loan receivable is guaranteed. Bank of Communications acted as the trustee of this entrusted loan. Trustee fee of 0.1% per month is charged. This entrusted loan has matured in March 2018.

As at 30 June 2019, the entrusted loan receivable has been past due. During the period, the Group has filed the Application for Enforcement to 江蘇省泰州市海陵區人民法院 ("Taizhou Hailingqu Renmin Fayuan") to collect the outstanding principal and interest receivable from the lender and the guarantor according to the civil judgment issued by Taizhou Hailingqu Renmin Fayuan. The Group has not received any response from the Taizhou Hailingqu Renmin Fayuan after filing the Application for Enforcement up to the date of this report. After seeking the legal advice from PRC lawyer, the Group provided a further provision of HK$26.3 million during the six months ended 30 June 2019.

The Group's entrusted loan receivable is denominated in RMB, which is the functional currency of the Group.

13A. TRADE AND NOTES RECEIVABLES

The normal credit period given on sale of goods and services relating to handsets and IOT terminals business, EMS business, IOT system and 020 business and intelligent manufacturing 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 bad and doubtful debts, 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 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade receivables		
0-30 days	**90,280**	131,229
31-60 days	**37,874**	30,168
61-90 days	**3,709**	15,054
91-180 days	**14,475**	24,846
Over 180 days	**48,434**	21,769
	194,772	233,066
Less: Accumulated allowances	**(25,133)**	(24,031)
	169,639	199,035
Notes receivables *(Note)*		
0-30 days	**5,583**	25,008
31-60 days	**13,725**	828
61-90 days	**14,041**	958
91-180 days	**24,206**	4,756
Over 180 days	**1,830**	914
	59,385	32,464
Trade and notes receivables	**229,024**	231,499

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

13B. CONTRACT ASSETS

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Current:		
Sale of intelligent manufacturing products	**2,610**	8,222
Electronic manufacturing services	**1,050**	28,131
	3,660	36,353

The contract assets primarily related to the Group's right to consideration for work completed and not billed because the rights are conditioned on i) the completion of retention period at the reporting date on the sale of intelligent manufacturing products; and ii) the delivery of finished goods at the reporting date on the electronic manufacturing services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers contract assets to trade receivables within 12 months.

14. INVENTORIES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Raw materials	**253,355**	247,605
Work in progress	**58,815**	21,623
Finished goods	**64,189**	103,618
	376,359	372,846

15. TRADE AND NOTES PAYABLES

Trade and notes payables (other than for the construction of properties held for sale) principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 30-90 days.

Payables and accrued expenditure on construction of properties held for sale comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group.

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 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade payables		
0-30 days	**121,282**	63,336
31-60 days	**6,868**	39,466
61-90 days	**161**	51,477
Over 90 days	**40,605**	25,172
	168,916	179,451
Note payables		
0-30 days	**–**	5,371
Trade and notes payables	**168,916**	184,822

16. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND AN ASSOCIATE

Amounts due from non-controlling shareholders of subsidiaries and an associate are unsecured, interest-free and repayable on demand.

17. BANK BORROWINGS

During the current period, the Group obtained new short-term borrowings with total amount of HK$107,326,000 (six months ended 30 June 2018: Nil). The bank borrowings carry variable interest at Loan Prime Rate ("LPR") plus a spread ranging from 3.9% to 7.6% per annum (six months ended 30 June 2018: LPR plus a spread ranged from 4.4% to 5.8% 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, land use rights and notes receivables.

18. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2019 and 30 June 2019	3,000,000	300,000
Issued:		
At 1 January 2019	2,520,254	252,025
Shares repurchased and cancelled	(61,926)	(6,193)
At 30 June 2019	2,458,328	245,832

19. ACQUISITION OF A SUBSIDIARY

On 3 April 2019, the Group acquired 100% interest in 康拓實業(深圳)有限公司 (unofficial English name being Kongtop Industrial (Shenzhen) Company Limited) ("Kongtop"), for consideration of HK$23,400,000. Kongtop is principally engaged in the handsets business and was acquired with the objective of improving the Group's handsets and IOT terminal business.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Current assets	
Cash and cash equivalents	4,988
Trade and other receivables	17,340
Inventories	10,854
Non-current assets	
Property, plant and equipment	9,948
Current liabilities	
Trade and other payables	(16,385)
Borrowings	(5,861)
Tax payable	(84)
Non-current liabilities	
Borrowings	(1,231)
	19,569

Goodwill arising on acquisition

	HK$'000
Consideration transferred	23,400
Less: recognised amount of identifiable net assets acquired	(19,569)
Goodwill arising on acquisition	3,831

The goodwill arising on acquisition is attributable to the anticipated profitability of the handsets and IOT terminal business of the Group.

Net cash outflows arising on acquisition

	HK$'000
Consideration paid in cash	23,400
Less: cash and cash equivalent balances acquired	(4,988)
Net cash outflow on acquisition of a subsidiary	18,412

20. COMMITMENTS

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Expenditure in respect of investments in associates contracted for but not provided in the condensed consolidated financial statements	**9,152**	4,568

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term benefits	**1,565**	2,377
Post-employment benefits	**68**	104
	1,633	2,481

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 those derived from 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).

	Fair value as at 30.6.2019 HK$'000 (unaudited)	Fair value as at 31.12.2018 HK$'000 (audited)	Fair value hierarchy	Valuation techniques and key input(s)
Financial assets:				
Equity instruments of fair value through other comprehensive income	**503**	503	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.
Equity instruments at fair value through other comprehensive income	**15,214**	38,646	Level 1	Quoted bid prices in an active market.
Financial assets at fair value through profit or loss	**21,232**	18,278	Level 1	Quoted bid prices in an active market.

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.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (CAP 571, Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 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	Underlying 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	49.18%
	Personal interest	3,098,000		3,098,000	0.13%
	Total			1,212,182,000	49.31%
Ms Yeung Man Ying	Corporate interest (note 2)	734,857,000		734,857,000	29.89%
	Personal interest	3,418,000		3,418,000	0.14%
	Total			738,275,000	30.03%
Ms Tang Rongrong	Personal interest	–	3,510,000	3,510,000	0.14%
Mr Liu Jun	Personal interest	1,000,000	936,000	1,936,000	0.08%

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 2,458,328,300 shares of the Company as at 30 June 2019.

As at 30 June 2019, 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.

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

As at 30 June 2019, 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:

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	29.89%
Intellipower (note 3)	Personal interest	454,227,000	18.48%

Notes:

1. Calculation of percentage of interest in the Company is based on the issued share capital of 2,458,328,300 shares of the Company as at 30 June 2019.

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 2019, no other substantial Shareholders or persons had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under the section 336 of the SFO.

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 the movements during 1H-2019 are as follows:

Category of participants	Date of grant	Outstanding at 1 January 2019	Exercised during the period	Lapsed/ expired during the period	Outstanding at 30 June 2019
Directors					
Ms Tang Rongrong	3.9.2009	3,510,000		–	3,510,000
Mr Liu Jun	3.9.2009	936,000		–	936,000
Sub-total		4,446,000	–	–	4,446,000
Employees of the Group	3.9.2009	24,880,950	–	(451,620)	24,429,330
	19.7.2013	12,600,000	–	–	12,600,000
Other participant	3.9.2009	3,510,000	–	–	3,510,000
Consultants	19.7.2013	45,400,000		–	45,400,000
Sub-total		86,390,950	–	(451,620)	85,939,330
Total		90,836,950	–	(451,620)	90,385,330

Notes:

1. In relation to each grantee of the options granted on 3 September 2009, 25% of the options will vest in each of the four calendar years from 15 April 2010. The exercise price per share is HK$0.68 and the exercise period is 15 April 2010 to 2 September 2019.

2. 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.

3. There was no share options granted during the six months ended 30 June 2019.

Save as disclosed above, at no time during 1H-2019 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-2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 1H-2019, the Company has repurchased 50,082,000 shares of the Company on the Stock Exchange and the shares repurchased have been cancelled subsequently. Details of the repurchase are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate price paid (inclusive of related expenses)
		Highest	Lowest	
	'000	HK$	HK$	HK$'000
January 2019	9,148	0.315	0.310	2,883
May 2019	30,386	0.335	0.295	9,706
June 2019	10,548	0.345	0.325	3,606
	50,082			16,195

Other than the shares repurchased by the Company as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during 1H-2019.

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-2019.

In respect of code provisions A.5.1 to A.5.4 of the Corporate Governance Code, the Company does not have a nomination committee. At present, the Company does not consider it necessary to have a nomination committee as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new Directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for assessing the independence of the independent non-executive Directors and reviewing the succession plan for the Directors, in particular the chairman of the Board.

According to 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 6 June 2019 ("2019 AGM"), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to an unexpected business engagement. Mr Liu Jun, an executive Director and the chief executive officer of the Group, chaired the 2019 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 2019 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 confirmed, following specific enquiry by the Company with all Directors, that each of them fully complied with the required standard as set out in the Model Code during 1H-2019.

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-2019. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2019 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)*
Ms TANG Rongrong
Mr LIU Jun *(Chief executive officer)*

Independent non-executive Directors
Mr LIU Hing Hung
Mr WANG Tianmiao
Mr WU Zhe

AUDIT COMMITTEE

Mr LIU Hing Hung *(Chairman)*
Mr WANG Tianmiao
Mr WU Zhe

REMUNERATION COMMITTEE

Mr LIU Hing Hung *(Chairman)*
Mr WANG Tianmiao
Mr WU Zhe
Mr WONG Cho Tung

COMPANY SECRETARY

Ms CHAN Chi Yin

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER AS TO HONG KONG LAW

LCH Lawyers LLP

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications
Shanghai Pudong Development Bank

BERMUDA REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG REGISTERED OFFICE

Unit 1206, 12th Floor
Billion Trade Centre
31 Hung To Road
Kwun Tung
Hong Kong

SHANGHAI HEAD OFFICE

Block A, SIM Technology Building
No. 633 Jinzhong Road
Changning District
Shanghai

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712-1716, 17th Floor
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STOCK CODE

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