

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board (“Board”) of directors (“Directors”) of SIM Technology Group Limited (“Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 December 2013 (“Year”) together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2013	2012
		HK\$'000	HK\$'000
		Audited	Audited
	Notes		
Revenue	3	1,716,079	2,925,316
Cost of sales		(1,528,389)	(2,643,345)
Gross profit		187,690	281,971
Other income	5	71,070	84,047
Other gains and losses	6	(112,732)	(60,084)
Research and development expenses		(201,617)	(184,416)
Selling and distribution costs		(107,374)	(114,745)
Administrative expenses		(99,790)	(94,836)
Share of results of an associate		(1,033)	—
Finance costs	7	(2,392)	(7,344)
Loss before taxation		(266,178)	(95,407)
Taxation credit (charge)	8	13,797	(1,492)
Loss for the year	9	(252,381)	(96,899)
Loss for the year attributable to:			
Owners of the Company		(239,198)	(96,671)
Non-controlling interests		(13,183)	(228)
		(252,381)	(96,899)
Loss per share (HK cents)	11		
Basic and diluted		(9.4)	(4.8)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended 31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited
Loss for the year	(252,381)	(96,899)
Other comprehensive (expense) income for the year		
Items that may not be subsequently reclassified to profit or loss for the year:		
Exchange difference arising on translation to presentation currency	25,168	19,911
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	11,031	—
Deferred tax liabilities on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	(2,758)	—
	33,441	19,911
Total comprehensive expense for the year	(218,940)	(76,988)
Total comprehensive (expense) income attributable to:		
Owners of the Company	(207,407)	(78,198)
Non-controlling interests	(11,533)	1,210
	(218,940)	(76,988)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK\$'000 Audited	2012 HK\$'000 Audited
Non-current assets			
Investment properties		319,066	291,575
Property, plant and equipment		542,478	699,821
Land use rights		93,972	97,055
Intangible assets		48,281	81,954
Deferred tax assets		49,344	21,100
Entrusted loan receivables		125,900	—
Interest in an associate		28,967	—
Available-for-sale investments		16,875	16,875
Deposits paid for acquisition of land use rights		16,065	—
		<u>1,240,948</u>	<u>1,208,380</u>
Current assets			
Inventories		196,806	271,266
Properties under development for sale		483,710	161,423
Properties held for sale		22,932	84,765
Trade and notes receivables	12	228,356	437,601
Other receivables, deposits and prepayments		317,652	245,735
Pledged bank deposits		80,776	34,991
Structured deposit		32,000	—
Bank balances and cash		255,440	1,019,173
		<u>1,617,672</u>	<u>2,254,954</u>
Current liabilities			
Trade and notes payables	13	321,937	374,169
Other payables, deposits received and accruals		250,703	245,504
Amounts due to shareholders on oversubscription of Rights Issue		—	480,489
Amount due to a non-controlling shareholder of a subsidiary		30,720	37,500
Bank borrowings		191,804	50,767
Tax payable		1,504	6,729
		<u>796,668</u>	<u>1,195,158</u>
Net current assets		<u>821,004</u>	<u>1,059,796</u>
Total assets less current liabilities		<u>2,061,952</u>	<u>2,268,176</u>
Capital and reserves			
Share capital		255,750	170,500
Reserves		1,625,197	1,911,739
Equity attributable to owners of the Company		1,880,947	2,082,239
Non-controlling interests		78,101	89,634
Total equity		<u>1,959,048</u>	<u>2,171,873</u>
Non-current liabilities			
Deferred tax liabilities		54,404	47,244
Deferred income		48,500	49,059
		<u>102,904</u>	<u>96,303</u>
		<u>2,061,952</u>	<u>2,268,176</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and basis of preparation

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of display modules, handsets and solutions, wireless communication modules and property development.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies of the Group. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

2. Application of new and revised International Financial Reporting Standards (“IFRSs”)

In the current year, the Group has applied the following new and revised standards, amendments and interpretation to the International Financial Reporting Standards (“new and revised IFRSs”) issued by the International Accounting Standards Board (“IASB”) which are mandatorily effective for the current reporting period or which may be early adopted.

Amendments to IFRSs	Annual improvements to IFRSs 2009-2011 cycle
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (as revised in 2011)	Employee benefits
IAS 27 (as revised in 2011)	Separate financial statements
IAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to IAS 1	Presentation of items of other comprehensive income
IFRIC 20	Stripping costs in the production phase of a surface mine

Except as disclosed below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

IFRS 12 Disclosure of interests in other entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

IFRS 13 Fair value measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions.

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset and the fair value of a liability as the amount that would be paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to IAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to IAS 1, the Group's "income statement" is renamed as "statement of profit or loss" and "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures ³
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities ¹
IFRS 9	Financial instruments ³
Amendments to IAS 19	Defined benefit plans: employees contributions ²
Amendments to IAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting ¹

Amendments to IFRSs
Amendments to IFRSs
IFRIC 21

Annual improvement to IFRSs 2010-2012 cycle⁴
Annual improvement to IFRSs 2011-2013 cycle⁴
Levies¹

- ¹ Effective for accounting periods beginning on or after 1 January 2014.
- ² Effective for accounting periods beginning on or after 1 July 2014.
- ³ Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.
- ⁴ Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

IFRS 9 Financial instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently revised in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

All recognised financial assets that are within the scope of IAS 39 “Financial instruments: recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future may affect the classification and measurement of the Group’s available-for-sale investments. Regarding the Group’s financial assets, given that the mandatory effective date is still unknown, it is not practicable to provide a reasonable estimate of that effect at this stage.

Amendments to IAS 36 Recoverable amount disclosures for non-current financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the Group’s consolidated financial statements.

3. Revenue

Revenue represents the amounts received and receivable for goods sold net of discounts and sales related taxes.

4. Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group is currently organised into four reportable and operating segments – sale of handsets and solutions, sale of display modules, sale of wireless communication modules and property development. These reportable and operating segments are the basis of the internal reports about components of the Group that are regularly reviewed by the executive directors in order to allocate resources to segments and to assess their performance.

Segment revenue and results

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

For the year ended 31 December 2013

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue							
External sales	963,092	162,301	473,091	117,595	1,716,079	–	1,716,079
Inter-segment sales	–	46,836	–	–	46,836	(46,836)	–
Total	<u>963,092</u>	<u>209,137</u>	<u>473,091</u>	<u>117,595</u>	<u>1,762,915</u>	<u>(46,836)</u>	<u>1,716,079</u>
Segment (loss) profit	<u>(180,796)</u>	<u>(112,490)</u>	<u>12,490</u>	<u>9,955</u>	<u>(270,841)</u>	<u>–</u>	<u>(270,841)</u>
Other income and other gains and losses							35,183
Corporate expenses							(27,095)
Share of results of an associate							(1,033)
Finance costs							(2,392)
Loss before taxation							<u>(266,178)</u>

For the year ended 31 December 2012

	Sale of handsets and solutions HK\$'000	Sale of display modules HK\$'000	Sale of wireless communication modules HK\$'000	Property development HK\$'000	Segments total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue							
External sales	2,091,066	204,195	489,964	140,091	2,925,316	–	2,925,316
Inter-segment sales	–	175,061	–	–	175,061	(175,061)	–
	<u>2,091,066</u>	<u>379,256</u>	<u>489,964</u>	<u>140,091</u>	<u>3,100,377</u>	<u>(175,061)</u>	<u>2,925,316</u>
Total	<u>2,091,066</u>	<u>379,256</u>	<u>489,964</u>	<u>140,091</u>	<u>3,100,377</u>	<u>(175,061)</u>	<u>2,925,316</u>
Segment (loss) profit	<u>(126,812)</u>	<u>(17,694)</u>	<u>21,406</u>	<u>10,837</u>	<u>(112,263)</u>	<u>–</u>	<u>(112,263)</u>
Other income and other gains and losses							44,437
Corporate expenses							(20,237)
Finance costs							<u>(7,344)</u>
Loss before taxation							<u>(95,407)</u>

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of gain from changes in fair values of investment properties, rental income, interest income, certain other income, corporate expenses, finance costs and taxation. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

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

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	656,728	139,405	387,222	616,636	1,799,991
Investment properties					319,066
Property, plant and equipment					40,037
Land use rights					2,605
Deferred tax assets					49,344
Entrusted loan receivables					125,900
Interest in an associate					28,967
Available-for-sale investments					16,875
Deposits paid for acquisition of land use rights					16,065
Other receivables, deposits and prepayments					91,554
Pledged bank deposits					80,776
Structured deposit					32,000
Bank balances and cash					255,440
Consolidated assets					<u>2,858,620</u>
Segment liabilities					
– attributable to sale of display modules	–	98,400	–	–	98,400
– attributable to property development	–	–	–	175,384	175,384
– attributable to operating segment other than sale of display modules and property development (<i>note</i>)					317,424
					<u>591,208</u>
Other payables, deposits received and accruals					60,652
Bank borrowings					191,804
Tax payable					1,504
Deferred tax liabilities					54,404
Consolidated liabilities					<u>899,572</u>

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	985,967	174,043	503,882	277,221	1,941,113
Investment properties					291,575
Property, plant and equipment					41,415
Land use rights					2,605
Deferred tax assets					21,100
Available-for-sale investments					16,875
Other receivables, deposits and prepayments					94,487
Pledged bank deposits					34,991
Bank balances and cash					1,019,173
Consolidated assets					3,463,334
Segment liabilities					
– attributable to sale of display modules	–	168,821	–	–	168,821
– attributable to property development	–	–	–	103,354	103,354
– attributable to operating segment other than sale of display modules and property development (<i>note</i>)					353,780
					625,955
Other payables, deposits received and accruals					80,277
Amounts due to shareholders on oversubscription of Rights Issue					480,489
Bank borrowings					50,767
Tax payable					6,729
Deferred tax liabilities					47,244
Consolidated liabilities					1,291,461

Note: Liabilities attributable to reportable and operating segments other than sale of display modules and property development represented payables to common suppliers of the reportable and operating segments other than sale of display modules and property development, which cannot be allocated to the respective segments on a reasonable basis.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than investment properties, certain property, plant and equipment, certain land use rights, pledged bank deposits, structured deposit, bank balances and cash, deposits paid for acquisition of land use rights, entrusted loan receivables, interest in an associate, available-for-sale investments, deferred tax assets and certain other receivables, deposits and prepayments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and
- other than liabilities specifically identified for reportable and operating segments on sale of display modules and property development, the remaining liabilities are allocated between payables jointly consumed by reportable and operating segments on sale of handsets and solutions and sale of wireless communication modules and corporate liabilities. Corporate liabilities include certain other payables, deposits received and accruals, tax payable, amounts due to shareholders on oversubscription of Rights Issue, bank borrowings and deferred tax liabilities.

Other segment information

For the year ended 31 December 2013

	Sale of handsets and solutions HK\$'000	Sale of display modules HK\$'000	Sale of wireless communication modules HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions of property, plant and equipment	20,360	90	2,179	15	1,537	24,181
Additions of intangible assets	43,503	–	42,309	–	–	85,812
Depreciation of property, plant and equipment	55,303	11,551	24,928	496	1,887	94,165
Amortisation of intangible assets	66,175	–	49,077	–	–	115,252
Amortisation of land use rights	1,428	214	1,272	–	61	2,975
Write-down of inventories	5,000	16,406	1,261	–	–	22,667
Allowance for bad and doubtful debts	21,202	1,483	978	–	–	23,663
Impairment loss recognised in respect of property, plant and equipment	75,616	20,886	–	–	–	96,502
Impairment loss recognised in respect of intangible assets	5,697	–	–	–	–	5,697

	Sale of handsets and solutions HK\$'000	Sale of display modules HK\$'000	Sale of wireless communication modules HK\$'000	Property development HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions of property, plant and equipment	47,929	27,277	16,099	108	473	91,886
Additions of intangible assets	117,571	–	51,004	–	–	168,575
Depreciation of property, plant and equipment	49,137	15,830	20,238	479	337	86,021
Amortisation of intangible assets	186,834	–	50,088	–	–	236,922
Amortisation of land use rights	1,662	225	1,019	–	–	2,906
Write-down of inventories	9,276	–	2,174	–	–	11,450
Allowance for bad and doubtful debts	943	–	–	–	–	943
Impairment loss recognised in respect of goodwill	28,321	–	–	–	–	28,321
Impairment loss recognised in respect of intangible assets	31,320	–	–	–	–	31,320

Revenue from major products

	2013 HK\$'000	2012 HK\$'000
Sale of handsets and solutions	963,092	2,091,066
Sale of display modules	162,301	204,195
Sale of wireless communication modules	473,091	489,964
Sale of residential properties	117,595	140,091
	1,716,079	2,925,316

Information about a major customer

Revenue from a customer of the corresponding years contributing over 10% of total sales of the Group, deriving revenue from the Group's reportable and operating segments other than property development segment, are as follows:

	2013 HK\$'000	2012 HK\$'000
Customer A	484,272 ¹	N/A ²
Customer B	N/A ²	540,083 ¹

¹ Customer A operates in the mobile phone technology industry in Taiwan (2012: Customer B operates in the PRC).

² The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's revenue and non-current assets are substantially located in the PRC, the country of domicile from which the group entities derive revenue and hold assets. Accordingly, no further analysis is presented.

5. Other income

	2013 HK\$'000	2012 HK\$'000
Refund of Value Added Tax ("VAT") (<i>Note</i>)	8,537	17,395
Government grants	28,296	22,010
Interest income earned on bank balances and structured deposit	4,091	10,724
Interest income earned on entrusted loan receivables	4,722	—
Rental income (Less: outgoings of HK\$2,394,000 (2012: HK\$1,980,000))	23,934	19,792
Repairs and maintenance income	—	12,426
Others	1,490	1,700
	<u>71,070</u>	<u>84,047</u>

Note:

Shanghai Simcom Limited and Shanghai Simcom Wireless Solutions Limited, wholly owned subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, they are entitled to a refund of VAT paid for sales of self-developed and produced software in the PRC.

6. Other gains and losses

	2013 HK\$'000	2012 HK\$'000
Loss on disposal of property, plant and equipment	(155)	(309)
Net foreign exchange gain (loss)	10,849	(13,112)
Changes in fair values of investment properties	2,436	13,921
Allowance for bad and doubtful debts	(23,663)	(943)
Impairment loss recognised in respect of goodwill	—	(28,321)
Impairment loss recognised in respect of property, plant and equipment	(96,502)	—
Impairment loss recognised in respect of intangible assets	(5,697)	(31,320)
	<u>(112,732)</u>	<u>(60,084)</u>

7. Finance costs

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interests on bank borrowings wholly repayable within five years	2,392	7,344

8. Taxation credit (charge)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PRC Enterprise Income Tax	(4,359)	(7,102)
Land appreciation tax in the PRC	(1,764)	(2,100)
Underprovisions on PRC Enterprise Income Tax in previous years	(4,620)	–
	(10,743)	(9,202)
Deferred tax credit for current year	29,948	7,710
Deferred tax charge attributable to a change in tax rate	(5,408)	–
	24,540	7,710
Tax credit (charge) for the year	13,797	(1,492)

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profits arising in Hong Kong.

PRC Enterprise Income Tax is calculated at the rate prevailing in the relevant districts of the PRC and taking relevant tax incentives into account.

9. Loss for the year

2013
HK\$'000

2012
HK\$'000

Loss for the year is arrived at after charging (crediting):

Auditor's remuneration	1,900	2,000
Amortisation of intangible assets (included in cost of sales)	115,252	236,922
Less: Amount capitalised in development costs	(1,059)	(931)
	114,193	235,991
Amortisation of land use rights	2,975	2,906
Depreciation of property, plant and equipment	94,165	86,021
Less: Amount capitalised in development costs	(1,575)	(2,872)
	92,590	83,149
Write-down of inventories (included in cost of sales)	22,667	11,450
Costs of inventories recognised as an expense (included in cost of sales)	1,402,405	2,482,083
Costs of properties sold (included in cost of sales)	87,782	118,288
Staff costs:		
Directors' emoluments	7,917	8,055
Other staff costs		
– Salaries and other benefits	233,995	338,768
– Retirement benefits scheme contributions	52,310	63,861
– Share-based payments	4,795	4,812
	299,017	415,496
Less: Amount capitalised in development costs	(64,615)	(130,265)
	234,402	285,231

10. Dividends

The directors do not recommend the payment of a final dividend for the year ended 31 December 2013 and 2012.

11. Loss per share

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

	2013 HK\$'000	2012 HK\$'000
Loss		
Loss for the purposes of basic and diluted earnings per share (loss for the year attributable to owners of the Company)	<u>(239,198)</u>	<u>(96,671)</u>
	'000	'000

Number of shares

Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,550,492</u>	<u>1,994,849</u>
---	------------------	------------------

The computation of diluted loss per share for the year ended 31 December 2013 and 2012 does not assume the exercise of the Company's share options as it would reduce loss per share.

The weighted average numbers of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year ended 31 December 2012 had been adjusted to reflect the bonus impact of the Rights Issue.

12. Trade and notes receivables

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

The following is an aged analysis of trade receivables and notes receivables presented based on the invoice date at the end of the reporting period:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables		
0 – 30 days	198,543	338,542
31 – 60 days	13,377	4,361
61 – 90 days	1,392	4,452
91 – 180 days	1,582	9,855
Over 180 days	33,589	21,529
	248,483	378,739
Less: Accumulated allowances	(32,465)	(12,640)
	216,018	366,099
Notes receivables (<i>Note</i>)		
0 – 30 days	12,338	62,606
31 – 60 days	–	2,140
61 – 90 days	–	2,525
91 – 180 days	–	4,231
	12,338	71,502
	228,356	437,601

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. The Group has policy for allowance of bad and doubtful debts which is based on an evaluation of the collectability and age analysis of accounts on every individual trade debtor basis and on management's judgment including creditworthiness and the past collection history of each client.

13. Trade and notes payables

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 30 days	298,098	279,256
31 – 60 days	6,660	29,518
61 – 90 days	422	24,518
Over 90 days	16,757	40,877
	321,937	374,169

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to shareholders of the Company for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting of the Company (“AGM”), the Company’s register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the attendance at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Tuesday, 27 May 2014.

ANNUAL GENERAL MEETING

The AGM will be held at Unit A, 29th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Friday, 30 May 2014. The notice of the AGM will be posted on the respective websites of the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and dispatched to the shareholders of the Company (“Shareholders”) in due course.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group, in overall, was still in the process of adjusting its business to cope with the challenging business conditions.

In respect of the handset business, the Group has lost a large volume of its high-end ODM business as its Japanese customers have, themselves, exited the market. Projects from the other international high-end customers are only at the development stage and cannot fill the shortfall in revenue. As for the domestic mid-to-low end customers handset market, the Group was less competitive in the intense price war, thus its ODM consumer handset business notably shrank in the Year under review. To compensate for the decrease, the Group has dedicated significant resources to the “Internet of Things” (IOT) handset, tablet and other industrial application terminals as they would offer a better return on investment. However, these projects have longer development cycles and cannot generate contributions to revenue within a short period. Therefore, the Group’s handset solution business recorded a serious loss in 2013. As for the wireless communications modules business, the Group has strived to optimise its product portfolio and develop 3G/4G new products during the past two years. In 2013, the sales volume of 3G products has substantially increased, but the rapid decrease in the average selling price of 2G products inevitably dragged down the annual profit. In the display and touch screen modules business, the oversupply in the market at the beginning of the Year caused the product price of touch panels to drop continuously. At the same time, the change in industrial technologies has forced the Group to give up the original G+F (Glass and Frame) technology and close down relevant production lines, thus resulting the write-off which caused a serious loss to the Group.

For the year ended 31 December 2013, the Group recorded a turnover of HK\$1,716.1 million (2012: HK\$2,925.3 million) while gross profit margin rose to 10.9% (2012: 9.6%). Conventional operations recorded a substantial decrease in revenue and the Group's major investment into new businesses had yet to generate any return, while there was a significant impairment on the production plant and equipment for handset casing and touch screen modules. As a result of these factors, the Group recorded a substantial loss for the Year with loss attributable to owners of the Company at HK\$239.2 million (2012: loss attributable to owners of the Company of HK\$96.7 million). The basic loss per share was HK9.4 cents (2012: basic loss per share of HK4.8 cents).

Handsets and solutions

The Group's ODM consumer handset business continued to deteriorate after 2012. On one hand, the Group's high-end ODM business mainly serviced Japanese customers in previous years who have retreated from the Group's smartphone market, on the other hand, other international high-end ODM handset players have not placed orders for mass production to the Group as most of these projects are still in development stage. In the domestic consumer handset market, the Group's higher operating costs make it less competitive in the price wars prevalent in medium-to-low end market segments. Thus, the Group has essentially withdrawn from the ODM business which had targeted the operator procurement market and which had previously accounted for most of its total revenue, resulting in the notable shrink in the Group's overall ODM consumer handset business. In the past year, the Group has put a lot of resources into developing the IOT handset, tablet and other industrial application terminals. Compared with consumer smartphones and tablets, industrial mobile terminals offer higher gross profit margins and a much longer product life, but the products require a high investment cost and longer development period. This is because customers have to use the Group's terminals to develop their own internal systems and then provide these systems to their users for testing and evaluation, while network certification might also be required from telecom operators. Therefore, the development cycle of these industry-specific terminals is a couple of times longer than that of consumer handset terminals. As most of these projects are still at the development stage and no returns have been recorded during the Year, the Group's handsets and solutions business recorded a substantial loss in 2013. The Group has closed down the handset casing, plastic injection, surface coating, vacuum plating and capacitive panel production lines in its Shenyang plant, resulting in substantial impairment on relevant plant and equipment, as well as a heavy burden from severance compensation of staff. Thus, the Group's handsets and solutions business recorded a substantial loss in 2013.

During the Year, sales from the handsets and solutions business declined to HK\$963.1 million (2012: HK\$2,091.1million). Gross profit margin increased to 10.6% (2012: 6.5%) and gross profit was HK\$101.6 million (2012: HK\$135.7 million).

Wireless communication modules

After two years of effort, the Group has gained clearer insights into the demand of customers in China and overseas. As the application of IOT has been divided into sub-segments, the Group has continued to optimise its product mix. In the prevailing domestic market, the Group has achieved scale operations in fleet management, commercial telematics, AMI, ATM/POSP, security, telehealth, etc. The application of IOT is gradually encouraging the development of intelligent agricultural industry and "Smart City".

The Group has enjoyed a leading presence in China market underscored by the successful launch of 2G products on various platforms in 2013 in order to satisfy customer needs in sub-segments markets. Armed with an extensive product mix and leveraging its years of experience in the domestic market, the Group expects to enlarge its market share in China this year. In the overseas market, 3G/4G networks and applications have been developing more quickly around the world. Usage of many dominant applications promoted by the operators is increasingly becoming integrated with IOT. The rollout of 4G networks is expected to notably increase internet speed over 3G networks. Thus the more powerful networks can cater for the emerging demand of intelligent security and video surveillance for IOT applications with greater bandwidth demand.

During the Year, the Group's wireless communication modules business recorded sales and gross profit of HK\$473.1 million and HK\$73.8 million respectively (2012: HK\$490 million and HK\$100.2 million respectively). Gross profit margin decreased to 15.6% (2012: 20.5%) due to the keen price competition in 2G products.

Display and touch panel modules

Due to the high labour costs in Shanghai, the Group has basically exited from the LCD display modules business in 2013, continuing the high-end, integrated LCD+CTP binding module business only. For touch panel modules, while shipments in 2013 increased compared to 2012, the excess supply of capacity touch panels (CTPs) in early 2013 resulted in the drop of product prices far beyond expectation. In addition, the impact brought about by the transfer of the CTP production base from Shenyang to Shanghai early this year has led to a substantial year-on-year decrease in annual turnover and gross profit margin in 2013. Exacerbating the situation was a dramatic change in the technology of touch panels during the second half of 2013, as the market turned to new production technologies such as one glass solution (OGS) with touch technology offering higher value for money. The trend has forced the Group to stop application of the originally adopted G+F technology and close all of its production lines. This closure has led to considerable impairment on most of the equipment of the CTP plant and compensation to a large number of staff. All these factors have resulted in a substantial loss in the display modules business during the year.

Revenue from the display modules business declined by 20.5% year-on-year to HK\$162.3 million (2012: HK\$204.1 million). Due to the considerable impairment on the inventories of display and touch panel modules, the business recorded a gross loss of HK\$17.5 million (2012: gross profit of HK\$24.3 million).

Operation status of production and manufacturing

Staff and labour costs in the PRC have been rapidly increasing. The Group has complied with the regulations to pay income tax and social security fees for all of its staff, which has placed itself at a disadvantage in the labour intensive processing and manufacturing industry. Besides, the Group has encountered difficulties in recruitment in Shenyang, so it had to make a significant business adjustment to reduce the labour intensive components in processing and manufacturing business operations. While aggressively implementing integrated automated production lines in place of manual operations, it has closed down the handset casing, plastic injection, surface coating, vacuum plating and capacitive panel production lines in its Shenyang plant, resulting in substantial impairment of HK\$75.6 million on relevant plant and equipment, as well as a heavy burden from severance compensation of staff. Thus, the Group's handsets and solutions business recorded a substantial loss in 2013.

Properties development

Shenyang City

Shenyang SIM Real Estate Limited, a subsidiary of the Group in which the Company owns 60% of equity interest, holds a parcel of land in Shenyang City (“Shenyang Land”). The Shenyang Land is located at the Daoyi Development Zone, No. 32, North of Shenbei Development Avenue, Shenbei New District, Shenyang City, Liaoning Province, the PRC, with a site area of approximately 85,141 square meters. The area available for development is approximately 173,807 square meters, of which the ground floor area is approximately of 147,230 square meters and the plot ratio is 1.88. The Shenyang Land has been developed into a commercial and residential apartment complex, named “The Riverside Country” (晨興 • 翰林水郡).

Construction of Phase I of The Riverside Country was completed in 2012 and a total of 404 residential units were launched for sale in the market. Up to December 2013, a total of 375 units were sold and delivered. Construction of some residential units of Phase II of The Riverside Country was completed in 2013. Up to December 2013, a total of 56 units were sold and delivered. The sales recognised in 2013 amounted to HK\$117.6 million (2012: HK\$140.1 million) and the gross profit margin was 25.4% (2012: 15.6%).

In 2014, the Group has continued the development of both residential and commercial property projects. The Group plans to develop “The Riverside Country” into a “Model Residential Area of the IOT”.

Taizhou City

In 2013, the Group has purchased a land parcel in Taizhou City, Jiangsu Province, the PRC (“Taizhou Land”) through its wholly-owned subsidiary at an aggregate price of RMB109 million. The Taizhou Land is located at the south side of and nearby the Jichuan East Road and at the west side of and nearby the Qili River of Hailing District in Taizhou City, Jiangsu Province, the PRC, with a site area of approximately 60,789 square meters. The area available for development is approximately of 103,500 square meters, of which the ground floor area is of approximately 91,200 square meters and the plot ratio is 1.5.

The Group plans to cooperate with a local Taizhou company specializing in photovoltaic systems to develop Taizhou Land into an intelligent residential district with such project named as “IOT and New Generation Energy Model Residential Area”. Through the cooperation and joint investment with the local partner, it is intended that the Group could leverage its expertise in research and development of application solutions for IOT and be responsible for IOT development in the district and the local partner would be responsible for the construction of new generation energy power stations in the district. As at the date of this announcement, the construction is still at a preliminary stage.

PROSPECTS

While retaining part of its traditional businesses which generate reasonable profit, the Group has actively expanded into new businesses. For the mobile terminal business, the Group has adhered to its two-pronged business strategy: (i) maintaining the traditional high-end consumer ODM business and (ii) accelerating the expansion of new businesses such as industrial applications and IOT terminals. As for traditional business, with the advent of the 4G LTE era, the Group's high-end handset ODM business has showed rapid growth in early 2014. The Group is actively engaged in securing more domestic and overseas high-end customers in addition to the Taiwanese brand with which it has already established a stable cooperative relationship.

As for industrial applications and IOT terminals, the Group has developed a range of new products, including smartphones and tablets targeting specific industries with high potential such as medical and healthcare, express logistics, fast moving consumer goods, automobile, police and home security. It has also secured high-end customers from the industrial application market in Europe, the U.S and the PRC. Therefore, the management expects there will be a substantial growth in its industrial mobile terminals business during 2014.

On the systems business front, the Group aims to grow beyond the terminals production and realise business upgrade. In 2013, the Group has formed a backend software development team and set up a systems department, providing customers from specific vertical industries with total system solutions encompassing backend software and terminal systems. As for IOT systems, after several years of development effort, the current IOT market in the PRC has become more mature. Although IOT deployments are relatively widely dispersed, their emergence presents enormous project development opportunities. Moreover, the Group aims to transform the traditional services business with IT technologies. It has made a foray into the automatic vending machine sector. The Group's backend system has started to provide the internet data operation services to customers and it has established a financial leasing company in the free trade zone. To expand into the automatic vending machine business, the Group has set up Yunmao IOT (雲貿物聯) in Jiangsu for its expansion into the vending machine business. The new operation is to provide cross-sector services encompassing equipment financial leasing, data operation services and related product wholesale services to vending machine customers and franchisees starting in 2014. The Group has also developed a cloud computing data platform dedicated to retirement homes as well as smart communities, smart cities and smart transportation applications which has gained customer acceptance and started receiving orders. The management is confident that the new business expansion can generate new growth momentum and is expected to bring contribution to the Group starting from 2014.

For wireless communications modules, the Group has increased investment in the new technologies in 2013, resulting in a number of new products and a wider product range. In 2014, the Group is planning to further penetrate the PRC market to enlarge its market share. For overseas business, the Group plans to launch a number of new products, including 4G LTE, in the international market. The shipment of the Group's wireless communications modules is expected to increase in 2014.

FINANCIAL REVIEW

For the year ended 31 December 2013, the total revenue from sale of handsets and solutions, wireless communication modules and display modules (“core business”) decreased significantly by 42.6% to HK\$1,598.5 million (2012: HK\$2,785.2 million). This was attributable to the decreases in the revenue of handsets and display modules. The revenue from sale of residential units in Shenyang, PRC amounted to HK\$117.6 million (2012: HK\$140.1 million). The total revenue of the Group for the Year, included revenue of core business and properties development, amounted to HK\$1,716.1 million (2012: HK\$2,925.3 million).

The gross profit for core business of the Group for the Year decreased substantially by 39.3% year-on-year to HK\$157.9 million (2012: HK\$260.2 million). The gross profit margin for core business increased slightly to 9.9% (2012: 9.3%). The overall gross profit margin of the Group for the Year was 10.9% (2012: 9.6%).

As the results of the significant decrease in the revenue of the core business, together with the impairment on the production plant and equipment for handset casing and touch panel modules, the Group incurred a significant loss attributable to owners of the Company of HK\$239.2 million (2012: HK\$96.7 million) in 2013. The basic loss per share for the Year was HK9.4 cents (2012: HK4.8 cents).

Research and development expenses

In 2013, the Group focused on the development of IOT handset, tablets, industrial application terminals and IOT applications terminals. The number of design and development team members was 700 (2012: 1,020) in 2013. The R&D expenses, which amounted to HK\$201.6 million (2012: HK\$184.4 million), represented 11.7% (2012: 6.3%) of the Group’s revenue.

Selling and distribution costs

The selling and distribution costs of the Group for the Year decreased by 6.4% to HK\$107.4 million (2012: HK\$114.7 million). The ratio of the selling and distribution costs over revenue in 2013 was 6.3% (2012: 3.9%).

Administrative expenses

The Group’s administrative expenses for 2013 increased by 5.2% to HK\$99.8 million (2012: HK\$94.8 million), representing 5.8% (2012: 3.2%) of the revenue.

Segment results of core business

	Year ended 31 December 2013			Year ended 31 December 2012		
	Revenue	Gross profit (loss)	Gross profit (loss) margin	Revenue	Gross profit	Gross profit margin
	<i>HK\$'M</i>	<i>HK\$'M</i>	%	<i>HK\$'M</i>	<i>HK\$'M</i>	%
Handsets and solutions	963.1	101.6	10.6%	2,091.1	135.7	6.5%
Wireless communication modules	473.1	73.8	15.6%	490.0	100.2	20.5%
Display modules	162.3	(17.5)	(10.8%)	204.1	24.3	11.9%
Total	<u>1,598.5</u>	<u>157.9</u>	<u>9.9%</u>	<u>2,785.2</u>	<u>260.2</u>	<u>9.3%</u>

Handsets and solutions

The Group's ODM consumer handset business continued to deteriorate in 2013. In addition, the Group withdrew from the ODM business which had targeted the operator procurement market which had previously accounted for most of the Group's total revenue. On the other side, revenue from industrial mobile terminals was small as they were still under development stage. As a result, the revenue for handsets and solutions decreased significantly year-on-year by 53.9% to HK\$963.1 million (2012: HK\$2,091.1 million) in the Year. The gross profit margin for this segment increased to 10.6% (2012: 6.5%) in 2013.

Wireless communication modules

In 2013, the revenue for wireless communication modules decreased slightly by 3.4% as compared to that of year 2012, while the gross profit margin decreased to 15.6% (2012: 20.5%) due to the keen price competition in 2G products. As the development cost increased in 3G/4G products, the segment profits decreased significantly for the Year.

Display modules

The oversupply in the market at the beginning of 2013 caused the product price of touch panels to drop continuously. Thus, the revenue of display modules in the Year decreased significantly by 20.5% as compared with that of year 2012. A gross loss was recorded for display modules business in 2013 due to a considerable impairment on the inventories of display and touch panel modules was recognised.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

At 31 December 2013, the Group had bank balances and cash of HK\$255.4 million (2012: HK\$538.7 million (net of the cash refunded to Shareholders on over-subscription of rights issue completed during 2013)), among which 51.7% was held in Renminbi, 47.9% was held in US dollars and the remaining balance was held in Hong Kong dollars. The Group also had pledged bank deposits of HK\$80.8 million (2012: HK\$35.0 million) in Renminbi and US dollars for the purpose of the Group's US dollars borrowings and structured deposit of HK\$32 million (2012: Nil). The Group had net bank balances (total of bank balances, pledged bank deposits and structured deposit less bank borrowings) of HK\$176.4 million (2012: HK\$522.9 million (net of the cash refunded to Shareholders on over-subscription of rights issue completed during 2013)). 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, notes receivables and land use rights) to secure the bank borrowings.

On 4 January 2013, the Company issued 852,499,500 rights shares at HK\$0.20 per rights share and raised net proceeds after deducting the relevant expenses of approximately HK\$167 million.

Operating Efficiency

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

	2013 <i>Days</i>	2012 <i>Days</i>
Inventory turnover period	59	64
Trade receivables period	66	31
Notes receivables period	10	46
Trade payables period	93	96

The increase in the turnover period of trade receivables was because the Group granted longer credit terms since June 2012 to some renowned customers. The decrease in notes receivables turnover period was due to the average balance of notes receivables significantly decreased in year 2013 as compared to that of year 2012.

As at 31 December 2013, the current ratio, calculated as current assets over current liabilities, was 2.0 times (31 December 2012: 1.9 times).

Treasury Policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are held under fixed and savings deposits in reputable banks to earn interest income. During the Year, the Group has entrusted a total amount of HK\$125.9 million under various asset management agreements each of an investment period of two years. The investment scope of these entrusted assets are limited to the investment products under 長安信託・卉誠實業委託貸款單一資金信託合同 (Chang An Trust • Hui Cheng Shi Ye Entrusted Loan Single Fund Trust Agreement (numbered 信單卉誠 (Xin Dan Hui Cheng) 13020056)). The management expected the average annual return rate for such entrusted assets to be about 7%. The Group intends to continue to entrust more assets in similar terms in the future should the opportunity arises so as to raise the utilisation rate of its capital and improve the investment returns and the profits of the Group. During the Year, the Group did not have any other security or capital investments or derivative investments.

Other than entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposures in US dollars denominated bank borrowings, the management of the Group considered that it was not necessary to use any other financial instrument for hedging purpose or adopt any particular hedging policy.

Fund Raising

On 5 October 2012, the Company announced that it proposed to issue not less than 852,499,500 shares at the subscription price of HK\$0.20 per share by way of rights issue on the basis of one rights share for every two existing shares held on the record date. The underwriter of the rights issue was Toman Investments Limited, which was a connected party to the Company and with 25% owned by Mr Wong Sun, 25% owned by Mr Wong Hei, Simon, 25% owned by Mr Wong Cho Tung and 25% owned by Ms Yeung Man Ying. The rights issue was completed on 4 January 2013 and the Company issued 852,499,500 shares at HK\$0.20 per share and raised net proceeds (after deducting the relevant expenses) of approximately HK\$167.0 million.

During the Year, all of such net proceeds have been utilised as intended for the following purposes:

- (i) as to HK\$145.0 million has been utilised as additional funding of the working capital resulting from the extension of the credit terms offered to the major customers of the Group; and
- (ii) as to HK\$22.0 million for the capital expenditure for the implementation of the wireless module business plan of the Group.

As at 31 December 2013, the Company had 2,557,498,500 ordinary shares of HK\$0.10 each in issue.

CASH FLOW STATEMENT HIGHLIGHTS

	2013 <i>HK\$' million</i>	2012 <i>HK\$' million</i>
Net cash (used in)/from operating activities	(34.8)	412.7
Capital expenditure	(65.8)	(84.6)
Development costs	(83.2)	(164.8)
Net increase/(decrease) in bank borrowings	140.4	(462.0)
Investment in an associate	(30.0)	—
Net proceeds received upon Rights Issue	—	166.9
Investment in entrusted loan receivables	(125.9)	—
Others	(6.2)	32.8
Net decrease in cash and cash equivalents (exclude the cash refunded/to be refunded to shareholders on over-subscription of Rights Issue)	(205.5)	(99.0)

GEARING RATIO

As at 31 December 2013, the total assets value of the Group was HK\$2,858.6 million (2012: HK\$3,463.3 million) and the bank borrowings was HK\$191.8 million (2012: HK\$50.8 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 6.7% (2012: 1.5%).

EMPLOYEES

As at 31 December 2013, the Group had approximately 2,500 (2012: 3,200) employees. The Group operates a Mandatory Provident Fund retirement benefits scheme for all of its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group. Total staff costs incurred by the Group amounted to HK\$299 million (2012: HK\$415.5 million) during the year 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the 12 months ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 the year ended 31 December 2013.

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

According to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting of the Company and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 28 May 2013 (“2013 AGM”), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to unexpected business engagement. Mr Chan Tat Wing, Richard, an executive Director and the chief finance officer of the Group, chaired the 2013 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 and the Audit Committee, was also available at the 2013 AGM to answer questions from shareholders of the Company.

Code Provision of A.2.7 of the Corporate Governance Code requires the Chairman of the Board to hold meetings at least annually with the non-executive Director (including independent non-executive Director) without the executive Directors present.

As Ms Yeung Man Ying, the Chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable. Currently, the Chairman may communicate with the non-executive Directors on a one-to-one or group basis periodically to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all the Directors, that they have fully complied with the required standard as set out in the Model Code during the Year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group, discussed auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2013.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the respective websites of the Company (www.sim.com) and the Stock Exchange (www.hkexnews.hk). The 2013 annual report will be despatched to the Shareholders and available on the above websites in due course.

APPRECIATION

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

DIRECTORS

As at the date of this announcement, the executive directors of the Company are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Zhang Jianping, Ms Tang Rongrong, Mr Chan Tat Wing, Richard and Mr Liu Hong, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting.

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

This announcement contains certain forward-looking statements. The words “intend”, “expect”, “anticipate”, “is confident” and similar expressions are intended to identify forward-looking statements. These statements are not historical facts or guarantees of future performance. Actual results could differ materially from those expressed, implied or forecasted in such forward-looking statements. Such forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of the Company about the business, the industry and the market in which the Company operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.

Hong Kong, 28 March 2014

** For identification purposes only*