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SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (“Board”) of directors (“Directors”) of SIM Technology Group Limited (“Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	1,124,772	925,372
Cost of sales		(947,133)	(797,488)
Gross profit		177,639	127,884
Other income	5	48,009	34,627
Other gains and losses	5	(3,702)	5,432
Research and development expenses		(71,465)	(72,119)
Selling and distribution costs		(55,107)	(38,696)
Administrative expenses		(58,859)	(41,357)
Share of result of an associate		(473)	—
Finance costs		(4,972)	(2,728)
Profit before taxation		31,070	13,043
Taxation	6	(13,910)	(2,871)
Profit for the period	7	17,160	10,172
Profit for the period attributable to:			
Owners of the Company		16,465	4,977
Non-controlling interests		695	5,195
		17,160	10,172
Earnings per share (HK cents)	9		
Basic		0.6	0.2
Diluted		0.6	0.2

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	17,160	10,172
Other comprehensive income (expense):		
Items that may not be subsequently reclassified to profit or loss for the period:		
Exchange difference arising on translation to presentation currency	2,609	(25,338)
Total comprehensive income (expense) for the period	<u>19,769</u>	<u>(15,166)</u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	19,004	(18,592)
Non-controlling interests	765	3,426
	<u>19,769</u>	<u>(15,166)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
	Notes		
Non-current assets			
Investment properties		364,140	363,850
Property, plant and equipment		420,701	467,294
Land use rights		98,754	100,154
Intangible assets		109,388	76,693
Deferred tax assets		47,262	47,556
Finance lease receivables		8,696	11,146
Interest in an associate		1,224	1,694
Available-for-sale investments		16,875	16,875
Entrusted loan receivables		50,240	—
Consideration receivable		1,807	—
		<u>1,119,087</u>	<u>1,085,262</u>
Current assets			
Inventories		492,088	354,365
Finance lease receivables		10,661	7,661
Properties under development for sale		231,692	455,948
Properties held for sale		326,689	95,306
Trade and notes receivables	10	264,929	255,746
Other receivables, deposits and prepayments		292,320	249,897
Amounts due from non-controlling shareholders of a subsidiary		2,512	—
Consideration receivable		750	—
Entrusted loan receivables		117,315	167,315
Pledged bank deposits		25,298	40,913
Structured deposits		18,840	41,441
Bank balances and cash		347,641	291,762
		<u>2,130,735</u>	<u>1,960,354</u>
Asset classified as held for sale		28,990	28,967
		<u>2,159,725</u>	<u>1,989,321</u>
Current liabilities			
Trade and notes payables	11	455,193	406,823
Other payables, deposits received and accruals		225,100	182,655
Amounts due to non-controlling shareholders of subsidiaries		49,736	35,140
Amount due to a director		54,600	—
Bank borrowings		329,054	318,960
Tax payable		10,610	7,758
		<u>1,124,293</u>	<u>951,336</u>
Liability associated with asset classified as held for sale		17,508	16,252
		<u>1,141,801</u>	<u>967,588</u>
Net current assets		<u>1,017,924</u>	<u>1,021,733</u>
Total assets less current liabilities		<u>2,137,011</u>	<u>2,106,995</u>

	30 June 2015 <i>HK\$'000</i> (unaudited)	31 December 2014 <i>HK\$'000</i> (audited)
Capital and reserves		
Share capital	255,790	255,750
Reserves	1,676,818	1,656,261
Equity attributable to owners of the Company	1,932,608	1,921,011
Non-controlling interests	92,835	86,443
Total equity	2,025,443	1,998,454
Non-current liabilities		
Deferred tax liabilities	64,570	61,401
Deferred income	46,998	47,140
	111,568	108,541
	2,137,011	2,106,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and basis of preparation

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

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

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of display modules, handsets and solutions, wireless communication modules, carrying out internet of things business and intelligent manufacturing business and property development in the People’s Republic of China (“PRC”).

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 certain properties, which are measured at fair values. The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

3. Revenue

Revenue represents the amounts received and receivable for goods sold net of discounts and sales related taxes, interest income generated from equipments financial leasing to outsiders and service income generated from service provided to outsiders.

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 months period ended 30 June 2015, the Group was organised into six (2014: five) reportable and operating segments – sale of handsets and solutions, sale of wireless communication modules, internet of things business, intelligent manufacturing business, sale of display modules and property development (2014: sale of handsets and solutions, sale of wireless communication modules, internet of things business, sale of display modules and property development).

During the current period, intelligent manufacturing business has been regarded as a reportable segment of the Group. Intelligent manufacturing business is principally selling equipments and providing services to customers, who are mainly manufacturers, to enhance the production efficiency of the customers through automation and intellectualisation of manufacturing process.

Segment revenue and results

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

For the six months ended 30 June 2015 (Unaudited)

	Sale of handsets and solutions HK\$'000	Sale of wireless communication modules HK\$'000	Internet of things business HK\$'000 (Note)	Intelligent manufacturing business HK\$'000	Sale of display modules HK\$'000	Property development HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue									
External sales	<u>624,693</u>	<u>286,359</u>	<u>120,887</u>	<u>26,460</u>	<u>–</u>	<u>66,373</u>	<u>1,124,772</u>	<u>–</u>	<u>1,124,772</u>
Segment profit (loss)	<u>8,121</u>	<u>29,124</u>	<u>(5,509)</u>	<u>(8,883)</u>	<u>(5,288)</u>	<u>3,887</u>	<u>21,452</u>	<u>–</u>	<u>21,452</u>
Other income and other gains and losses									24,059
Share of result of an associate									(473)
Corporate expenses									(8,996)
Finance costs									(4,972)
Profit before taxation									<u>31,070</u>

For the six months ended 30 June 2014 (Unaudited)

	Sale of handsets and solutions HK\$'000	Sale of wireless communication modules HK\$'000	Internet of things business HK\$'000 (Note)	Sale of display modules HK\$'000	Property development HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue								
External sales	618,291	228,233	6,938	14,438	57,472	925,372	–	925,372
Inter-segment sales	<u>–</u>	<u>–</u>	<u>–</u>	<u>345</u>	<u>–</u>	<u>345</u>	<u>(345)</u>	<u>–</u>
Total	<u>618,291</u>	<u>228,233</u>	<u>6,938</u>	<u>14,783</u>	<u>57,472</u>	<u>925,717</u>	<u>(345)</u>	<u>925,372</u>
Segment profit (loss)	<u>9,440</u>	<u>4,790</u>	<u>137</u>	<u>(16,431)</u>	<u>7,612</u>	<u>5,548</u>	<u>–</u>	<u>5,548</u>
Other income and other gains and losses								21,495
Corporate expenses								(11,272)
Finance costs								(2,728)
Profit before taxation								<u>13,043</u>

Note: The internet of things business is still in developing stage in the current period. The revenue of this segment represents the income generated from equipment finance lease services and sale of goods to vending machine customers and franchisees.

During six months period ended 30 June 2014, inter-segment sales were charged at mutually agreed terms.

Segment result represents the financial result by each segment without allocation of rental income, interest income (except for the interest income generated from finance lease business), certain other income, certain net exchange gain, share of result of an associate, corporate expenses, changes in fair value of investment properties, finance costs and taxation.

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

	As at 30 June 2015 HK\$'000 (unaudited)	As at 31 December 2014 HK\$'000 (audited)
Segment assets		
Sale of handsets and solutions	877,781	746,467
Sale of wireless communication modules	539,990	491,160
Internet of things business	172,611	65,862
Intelligent manufacturing business	67,263	—
Sale of display modules	—	64,542
Property development	598,568	590,725
Total segment assets	<u><u>2,256,213</u></u>	<u><u>1,958,756</u></u>
Segment liabilities		
Internet of things business	17,798	18,845
Intelligent manufacturing business	29,615	—
Sale of display modules	11	75,506
Property development	110,537	154,227
Attributable to operating segments other than sale of display modules, property development and internet of things business (<i>Note</i>)	<u><u>614,296</u></u>	<u><u>405,072</u></u>
Total segment liabilities	<u><u>772,257</u></u>	<u><u>653,650</u></u>

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, interest in an associate, entrusted loan receivables, consideration receivables, amount due from non-controlling shareholders of a subsidiary, pledged bank deposits, structured deposits, bank balances and cash, available-for-sale investments, deferred tax assets and certain other receivables, deposits and prepayments. Assets used jointly by reportable and operating segments are allocated on the basis of the revenues earned by individual operating segments.

Note: Other than liabilities specifically identified for reportable and operating segments of sale of display modules, internet of things business, intelligent manufacturing business and property development, the remaining liabilities are allocated between payables jointly consumed by reportable and operating segments of sale of handsets and solutions and sale of wireless communication modules and corporate liabilities. Corporate liabilities include certain other payables, deposits received and accruals, amount due to a director, amounts due to non-controlling shareholders of subsidiaries, tax payable, bank borrowings and deferred tax liabilities.

5. Other income/Other gains and losses

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Refund of VAT (<i>Note</i>)	2,274	2,054
Government grants	16,970	12,677
Interest income earned on bank balances and structured deposits	2,768	2,045
Interest income earned on entrusted loan receivables	5,898	5,438
Rental income (Less: outgoings of HK\$201,000 (six months ended 30 June 2014: HK\$145,000))	15,468	11,372
Others	4,631	1,041
	<u>48,009</u>	<u>34,627</u>
Other gains and losses		
(Loss) gain on disposal of property, plant and equipment	(2,216)	978
Impairment loss on property, plant and equipment	(4,506)	—
Net foreign exchange gain	539	1,779
Changes in fair values of investment properties	290	2,675
Gain on disposal of a subsidiary	2,191	—
	<u>(3,702)</u>	<u>5,432</u>

Note:

Shanghai Simcom Limited (“Shanghai Simcom”), Shanghai Simcom Wireless Solutions Limited (“Shanghai Simcom Wireless”) and Shenzhen Zhuoxuda Technology Development Company Limited (six months ended 30 June 2014: Shanghai Simcom and Shanghai Simcom Wireless) 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 Value Added Tax (“VAT”) paid for sale of self-developed and produced software in the PRC.

6. Taxation

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	(10,254)	(4,004)
LAT in the PRC	(1,325)	(940)
Overprovisions on PRC Enterprise Income Tax	1,096	1,260
Deferred tax (charge) credit	(3,427)	813
	<u>(13,910)</u>	<u>(2,871)</u>

No provision for Hong Kong Profits Tax has been made for both periods 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 taking relevant tax incentives into account.

The provision of Land Appreciation Tax ("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 2014: 30% to 60%) of the appreciation value, with certain allowable deductions.

7. Profit for the period

Six months ended 30 June	
2015	2014
HK\$'000	HK\$'000
(unaudited)	(unaudited)

Profit for the period is arrived at after charging:

Amortisation of intangible assets (included in cost of sales)
Less: Amount capitalised in development costs classified
as intangible assets

47,041	37,481
(586)	(496)
46,455	36,985

Amortisation of land use rights
Depreciation of property, plant and equipment
Less: Amount capitalised in development costs classified
as intangible assets

1,477	1,473
37,060	42,984
(1,519)	(1,104)
35,541	41,880

Staff costs including directors' emoluments
Share-based payments
Less: Amount capitalised in development costs classified
as intangible assets

136,132	129,582
1,452	1,939
(48,577)	(35,308)
89,007	96,213

Operating lease rentals in respect of land and buildings
Less: Amount capitalised in development costs classified
as intangible assets

4,294	3,378
(756)	(557)
3,538	2,821

Costs of inventories recognised as an expense (included in cost of sales)
Costs of properties sold (included in cost of sales)

870,295	731,343
54,102	41,702
<u>924,397</u>	<u>773,045</u>

8. Dividends

The directors do not recommend the payment of an interim dividend for six months ended 30 June 2015 and 2014.

9. Earnings per share

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	16,465	4,977
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share for both periods	2,557,596	2,543,369
Effect of dilutive potential ordinary shares – share options	62,613	290
Weighted average number of ordinary shares for the purpose of diluted earnings per share for both periods	2,620,209	2,543,659

The computation of diluted earnings per share for the six months ended 30 June 2015 and 2014 did not assume the exercise of certain of the Company's share options because the exercise price of these options was higher than the average market price for both six months period ended 30 June 2015 and 2014.

10. Trade and notes receivables

The normal credit period given on sale of goods is 0-90 days.

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

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
Trade receivables		
0 – 30 days	195,472	199,100
31 – 60 days	23,283	31,550
61 – 90 days	15,685	4,475
91 – 180 days	3,164	1,851
Over 180 days	36,091	35,987
	273,695	272,963
Less: Accumulated allowances	(32,896)	(32,877)
	240,799	240,086
Notes receivables (Note)		
0 – 30 days	19,344	15,660
31 – 60 days	63	–
61 – 180 days	4,723	–
	24,130	15,660
Trade and notes receivables	264,929	255,746

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

11. 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:

	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)
0 – 30 days	401,518	273,817
31 – 60 days	10,167	35,162
61 – 90 days	4,144	6,489
Over 90 days	39,364	91,355
	<u>455,193</u>	<u>406,823</u>

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to the shareholders of the Company (“Shareholders”) for the six months ended 30 June 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has formulated and implemented effective strategies starting from 2013: to maintain the growth in its quality Original Design Manufacturer (“ODM”) consumer handset business while continuing to enlarge the market share of its wireless communications modules business domestically and overseas; and actively expand the industrial application terminals business and new businesses. Reviewing 2014, the Group has reaped results in its business positioning and development strategies. In the first half of 2015, the Group has continued to maintain a steady course of business development with growth in revenue, gross profit and gross profit margin in all of its core businesses, which has laid a solid foundation for the future sustainable growth of its overall business.

For the handsets and solutions business, the Group has focused to develop more customised and differentiated products and has actively explored and served mid-range to high-end branded customers in the industrial applications and Internet of Things (“IOT”) terminals businesses. Regarding industrial terminal products designed for the logistics, scanning, payment, police operation and specific segments as well as waterproof, dust-proof and shock-resistant terminals, the Group has continued to expand customer markets and invest in the new product development. During the period under review, the shipment of consumer handsets has seen steady growth and the shipment of industrial application terminals has increased. Gross profit margin and gross profit of the handset business have also shown an increase as compared to the same period last year.

During the reporting period, both shipment volume and revenue of the Group's wireless communications modules business have grown strongly by more than 25%. The growth was attributable to (i) the varying increases in demand in domestic and overseas markets, especially in Europe and the United States ("US") markets which saw a 30% year-on-year increase in overall shipments and (ii) a year-on-year surge of 120% in the shipment of the 3G/4G products with higher selling price.

As for the IOT business, the Group has continued to accelerate the development of the value-added services for the intelligent automatic vending machine industry and at the same time to expand the cloud-based vending machine network through franchises and co-operation business models. Moreover, it has also developed a cloud computing and big data service platform, which has been applied in areas such as smart communities, smart home elderly services, the "internet of vehicles", property facilities management teams such as security and engineering maintenance, etc.

During the period under review, the Group's handset automated test equipment has secured orders from domestic handset manufacturers in the PRC. The business of several co-operative companies engaging in automation integration has been progressing well with their key products focusing on today's most labour-intensive sectors in the PRC manufacturing industry. Driven by the emerging trend of intelligent robotic manufacturing in the PRC, the Group's intelligent manufacturing business has experienced the fastest growth during the period under review.

Handsets and solutions business

With the gradual reduction in subsidies for domestic handset operators, operators in the handset market have less and less influence. The domestic handset market has gradually resumed its traditional role as a market driven by brands, products and services. Thus the Group has greatly reduced its investment in the operator market and focused its efforts on customised services, differentiated customers and products as well as industrial application and IOT terminals.

Benefitting from the Group's expansion in the differentiated consumer handset and industrial application terminal market in the past two years, the shipment volume of its handset terminals has recorded greater growth in the first half of 2015. However, the sales did not show apparent growth due to greater reduction in the selling price of the handsets resulting from the rapid growth in the size and the popularity of the 4G handset market. The gross profit margin and gross profit have risen due to the increase in the shipment of industrial application terminals.

The Group has actively sought and served mid-range to high-end branded customers. For its consumer product lines, the Group has collaborated with a domestic electronic product brand to develop a product which is scheduled to commence mass production and shipment in the near future. Meanwhile, the Group is negotiating with other major brands for partnership opportunities. As for the industrial application terminals, the Group has continued to develop new products and new markets in the logistics, scanning, payment, police operation, and other specific segments as well as the segment of terminals with waterproof, dust-proof and shock-resistant functions. As the products developed in the first half of the year have commenced mass production, the Group expects its industrial application terminal business to grow steadily in the second half of the year. At the same time, the Group is actively exploring overseas markets such as Japan, Europe and the US so as to lay a solid foundation for business growth in the next year.

Wireless communication modules business

In the first half of 2015, the Group has recorded more than 25% growth in overall shipment volume and revenue of wireless communication modules. The growth was attributable to the (i) varying increases in demand in domestic and overseas markets, especially in Europe and the United States (“US”) markets which saw a 30% year-on-year increase in overall shipments and (ii) a year-on-year surge of 120% in the shipment of the 3G/4G products with higher selling price.

The overall IOT market in the PRC is at a stage of expanding demand. The IOT has been mainly applied in new markets such as the “internet of vehicles”, mobile payment, electricity and health care markets. The Group has successfully captured the 4G demand in the electricity market in the PRC. In the first round of project tendering during the first half of 2015, the Group has won more than 80% of the bids it submitted in the market in relation to module projects, demonstrating its market leadership. In the mobile payment Point-of-Sale (“POS”) area, the Group has forged strategic alliances with several major customers in the POS industry, thereby generating a handsome volume of businesses for the Group. As for the “internet of vehicles” market, the Group’s wireless communication modules business has maintained more than 50% market share. This year, the Group has stepped up efforts in the development of new products, PRC-made GPS modules, which has commenced mass production in order to meet the tender requirements set by the Ministry of Transport of the PRC.

In overseas markets, the 18 Eurozone countries have encountered challenges and remain in the midst of a tough economic period. Under this circumstance, the European customers have preferred suppliers who are able to provide modules with a high price-performance ratio in order to boost their market competitiveness. The Group’s own high-price performance product line has increased its competitive edge over its European and US competitors and at the same time has satisfied the increasing demand of the overseas 3G/4G LTE module markets. Consequently, the Group has recorded a growth of 30% in sales in the European market during the period under review. In the US, the phasing out of the 2G network and the shift to 3G and 4G networks has become the dominant trend. In addition, our LTE module SIM7100A was certified by the US operator AT&T which is expected to boost the shipment volume, sales and profit of our modules in the US. In India, Asia’s second largest market, the Group has leveraged its leading position in the market to achieve significant results in different fields such as Automated Meter Reading (AMR) and fleet telematics resulting in a record sales performance in India. In Japan and Korea, the operators have completed construction of the 4G LTE network and we have also attained certification by major local operators. For example, our 4G LTE module has been certified by SOFTBANK.

IOT business

In the past few years, the Group has leveraged its advantages in information technology and has built a cloud computing and big data service platform to address the needs of various industry sectors. A series of IOT application integrated solutions has been developed, including smart home elderly service systems, health monitoring systems, vehicle anti-theft management systems, management systems for property security and maintenance, management systems for student safety and an automatic vending machine online-to-offline (“O2O”) service platform.

The Group has revamped the traditional operation mode of vending machines by developing a digital and online operating platform for vending machines. This can be regarded as a typical “Internet Plus” or “Plus Internet” business model. Firstly, all vending machines with Internet connections transfer the status and transaction information of the vending machine in real-time to the cloud platform. Secondly, the vending machine has consolidated different online payment functions such as QuickPass, Alipay and WeChat. Besides, key controller, large display screen, and free WIFI hot spots have been installed on the vending machines for internet access. With such a comprehensive O2O platform, this business poses huge development potential. After development for more than one year, most of the Group’s vending machines are located in economically prosperous regions such as the Yangtze River Delta and Pearl River Delta regions. During the period under review, owing to rapid business growth of Shanghai Yunhao Trading Limited (a subsidiary of the Group) and the increase in franchisees, the number of automatic vending machines has risen substantially. In spite of keen competition in the automatic vending machine industry, the per capita vending machine rate in the PRC is still very low. With higher labour cost and the development of the fast moving consumer goods industry, our vending machine business is expected to maintain sustainable growth.

Intelligent manufacturing business

The Group has been developing integration technology for robotic applications for the past three years. Utilising its handset and communication module factory as the testing base, the Group has integrated the standard robot and visual system and developed a set of handset motherboard automatic testing equipment. As the equipment can replace a large number of labour on the production line, it has attracted widespread recognition from handset manufacturers. Currently, several major handset processing factories have ordered this equipment, making the Group a handset manufacturing equipment supplier.

As such, the Group has set up a robotic intelligent manufacturing association, which aims to replace labour with robots in the labour intensive manufacturing industries in the PRC. The Group has also acquired and merged with seven small companies with expertise in robot integration technologies, including robot arms for CNC engraving and stamping, which marks an advance into the non-handset robotic segment.

In line with the requirements of Industry 4.0 of the German government and Made in China 2025 of the PRC government, the Group is conducting a fundamental restructuring and optimisation of the production and management models of our factories with the aim to increase automation, digitalisation, networking and intelligent applications. The Qingpu factory of the Group has been designated as a demonstration model for Made in China 2025 by the Shanghai Economic and Information Technology Commission and the designation has been reported to the Ministry of Industry and Information Technology.

To show the significance that we attach to intelligent manufacturing, the Group has been recruiting top talent from overseas to develop visual software and algorithms, and plans to develop a series of automated visual inspection equipment on this basis in order to replace millions of labour in China. The Group believes that its own intellectual property rights can provide the core competitiveness that other players cannot easily replicate in the highly competitive market in the future.

Properties development

As at 30 June 2015, Phase I of “The Riverside Country” (晨興 • 翰林水郡), which is located in Shenyang City, the PRC, has a total of 404 residential units, of which 389 units had been sold. Phase II has a total of 756 residential units, of which 612 units had been sold while in the completed section of Phase III, 45 units had been sold.

As at 30 June 2015, Phase I of “Seven River in Sweet” (七里香溪), which is located in Taizhou City, the PRC, 135 residential units which had been sold and is expected to be delivered in the fourth quarter of 2015.

The revenue recognised for the first half of 2015 amounted to HK\$66.4 million (2014: HK\$57.5 million) with gross profit margin of 18.5% (2014: 27.4%).

Prospects

The Group will continue to implement its ongoing strategies, i.e., establishing a presence in the ODM consumer handset business and developing industrial application terminals business which are in line with the “Internet Plus” strategic directive. In view of the continuous global uptake of 4G applications, the Group will adhere to its customised and differentiated approach. Business from new and old high-end customers is expected to generate stable revenue growth. Industrial application terminals in line with the “Internet Plus” strategic directive are to be delivered gradually, which should generate reasonable gross profit for the Group.

The IOT is growing rapidly and affecting virtually all major segments of the global economy. In the past few years, the Group’s wireless communication module business has occupied a leading presence in the world. In the future, the Group will continue to develop local and overseas markets and further enlarge its market share. As 3G/4G LTE modules have obtained the certification in the US and Japan, the proportion of these products will increase considerably in the wireless communication business. As their unit price and gross profit are much higher than those of the 2G products, a significant increase in turnover and margin is expected. The Group has confidence that it can maintain the role as a major supplier of wireless communication modules in the world.

Regarding the system, equipment and operation of IOT, the Group will continue to enhance the development of value-added business in the smart vending machine industry, and capitalise on the franchises and co-operation models to quickly expand the scale of its cloud vending machine business. Besides, the Group will continue the development of its smart city, smart community and the “internet of vehicles” businesses, as well as IOT projects in retirement homes, healthcare and education industries.

Intelligent robotic manufacturing is a new business for the Group, and it is also the segment with the strongest potential for development. After three years' efforts, the Group has assumed the leading position in this segment. As the PRC manufacturing industry is at the peak of transformation through robotic intelligence, the segment will see robust growth and the Group will increase related investment and strive to seize the available opportunity. The Group will consolidate quality intelligent integration of companies in different industries to expand its business scale. In the next few years, the intelligent manufacturing business is expected to grow several times as the Group becomes the major supplier of intelligent manufacturing equipment made in the PRC.

The management believes that the Group has passed through the most challenging time in its transformation process, and its new growth driver has found its way, establishing the foundation and completing its layout. Therefore, the management has confidence that the new businesses will lead the Group's development to the next level in the coming years.

FINANCIAL REVIEW

For the six months ended 30 June 2015 ("1H-2015"), the revenue of the Group was HK\$1,124.8 million (2014: HK\$925.4 million), in which the revenue from sale of handsets and solutions, wireless communication modules, display modules, internet of things business and intelligent manufacturing business (together, "core business") increased significantly by 21.9% to HK\$1,058.4 million (2014: HK\$867.9 million) as compared with that of the first half of 2014 ("1H-2014"). The increase in the revenue of core business was mainly attributable to the significant increase in the revenue of internet of things business in 1H-2015. The revenue from the sale of residential units in Shenyang and Taizhou, PRC was HK\$66.4 million in 1H-2015 (2014: HK\$57.5 million).

The gross profit for 1H-2015 for core business of the Group increased substantially year-on-year by 47.5% to HK\$165.4 million (2014: HK\$112.1 million). The gross profit margin for core business increased to 15.6% (2014: 12.9%). The overall gross profit margin of the Group for 1H-2015 was 15.8% (2014: 13.8%).

As a result of the increase in revenue and the gross profit in 1H-2015, the Group achieved a profit attributable to owners of the Company of HK\$16.5 million (2014: HK\$5.0 million). The basic earnings per share for 1H-2015 was HK0.6 cent (2014: HK0.2 cent).

Segment results of core business

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %	Revenue <i>HK\$'M</i>	Gross profit (loss) <i>HK\$'M</i>	Gross profit (loss) margin %
Handsets and solutions	625	92	14.8	618	82	13.4
Wireless communication modules	286	44	15.3	228	34	15.0
Internet of things business	121	17	14.5	7	1	4.2
Intelligent manufacturing business	26	12	43.9	–	–	–
Display modules	–	–	–	15	(5)	(33.6)
Total	1,058	165	15.6	868	112	12.9

Handsets and solutions

The revenue for handsets and solutions of 1H-2015 increased slightly by 1.0% to HK\$624.7 million (2014: HK\$618.3 million) as compared to that of 1H-2014. Due to the increase in the shipment proportion of industrial application terminals, the gross profit margin for this segment increased to 14.8% (2014: 13.4%) in 1H-2015.

Wireless communication modules

In 1H-2015, the revenue for wireless communication modules increased significantly year-on-year by 25.5%, while the gross profit margin increased to 15.3% (2014: 15.0%). The growth was attributable to (i) the increase in demand in domestic and overseas market and (ii) the year-on-year surge of 120% in the shipment of the 3G/4G products with higher selling prices.

IOT business

Owing to rapid business growth in this segment and the increase in franchisees, the number of automatic vending machines has risen substantially in 1H-2015. As a result, the revenue of IOT business increased over 16 times as compared to that of 1H-2014 while the gross profit margin increased to 14.5% (2014: 4.2%).

Intelligent manufacturing business

During 1H-2015, the Group's handset automated test equipment has secured orders from domestic handset manufacturers in the PRC. The revenue of this new business segment amounted to HK\$26.5 million for 1H-2015 (2014: N/A) and the gross profit margin was 43.9%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2015, the Group had bank balances and cash of HK\$347.6 million (31 December 2014: HK\$291.8 million), of which 78.2% was held in Renminbi, 21.7% was held in US dollars and the remaining balance was held in Hong Kong dollars. The Group also had pledged bank deposits of HK\$25.3 million (31 December 2014: HK\$40.9 million) in Renminbi for the purpose of the Group's US dollars 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, notes receivables and land use rights) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$329.1 million (31 December 2014: HK\$319.0 million), all of which were denominated in US dollars and 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 2015 Days	31 December 2014 Days
Inventory turnover period	41	53
Trade and notes receivables turnover period	45	41
Trade and notes payables turnover period	54	56

As at 30 June 2015, the current ratio, calculated as current assets over current liabilities, was 1.9 times (31 December 2014: 2.1 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. As at 30 June 2015, the Group has entrusted a total amount of HK\$167.6 million under certain asset management agreements for an investment period from six months to two years. During 1H-2015, the Group did not have any other security or capital investments or derivative investments.

Certain sales and purchases of inventories of the Group are denominated in US dollars. Furthermore, certain trade receivables, trade payables, bank balances and bank borrowings are denominated in US dollars, therefore exposing the Group to the currency risk of US dollars. During 1H-2015, 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.

As at 30 June 2015, the Company had 2,557,896,300 ordinary shares of HK\$0.10 each in issue.

CASH FLOW STATEMENT HIGHLIGHTS

The following is the highlights of the cash flow statement of the Group for 1H-2015 and 1H-2014:

	1H-2015 HK\$'M	1H-2014 HK\$'M
Net cash from/(used in) operating activities	32.3	(102.3)
Capital expenditure	(7.3)	(11.2)
Proceeds on disposal of equipment	13.5	8.7
Development costs	(79.6)	(62.1)
Net increase in bank borrowings	2.3	133.6
Deposits received for disposal of an associate	1.3	13.1
Net increase in entrusted loan receivables	–	(37.5)
Advance from a director	54.6	–
Others	0.6	(1.6)
Net increase (decrease) in cash and cash equivalents (including pledged bank deposits and structured deposits)	17.7	(59.3)

GEARING RATIO

As at 30 June 2015, the total assets value of the Group was HK\$3,278.8 million (31 December 2014: HK\$3,074.6 million) and the bank borrowings was HK\$329.1 million (31 December 2014: HK\$319.0 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 10.0% (31 December 2014: 10.4%).

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any material contingent liabilities (31 December 2014: Nil).

EMPLOYEES

As at 30 June 2015, the Group had approximately 2,740 (31 December 2014: 2,180) 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 also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 1H-2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FUTURE PLANS FOR MATERIAL INVESTMENT

As at 30 June 2015, the Group did not have any other plans for material investment or capital assets save as disclosed in this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the 1H-2015, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

CORPORATE GOVERNANCE CODE

Save as mentioned below, the Company has complied with the code provisions laid down in the Corporate Governance Code (“Corporate Governance Code”) as set out in Appendix 14 to the Rules (“Listing Rules”) Governing the Listing of Securities on the Stock Exchange for 1H-2015.

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 3 June 2015 (“2015 AGM”), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to an unexpected business engagement. Mr Chan Tat Wing, Richard, an executive Director and the chief finance officer of the Group, chaired the 2015 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 2015 AGM to answer questions from Shareholders.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all Directors, that they have fully complied with the required standard as set out in the Model Code for 1H-2015.

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-2015. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2015 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has been published on the respective websites of the Company (www.sim.com) and the Stock Exchange (www.hkexnews.hk). The 2015 interim report will be dispatched 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 reporting period.

DIRECTORS

With effect from 30 May 2015, Mr Zhang Jianping resigned as an executive Director. With effect from 4 June 2015, Mr Liu Jun was appointed as an executive Director.

As at the date of this announcement, the executive Directors are Ms Yeung Man Ying, Mr Wong Cho Tung, Ms Tang Rongrong, Mr Chan Tat Wing, Richard, Mr Liu Hong and Mr Liu Jun, and the independent non-executive Directors 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 Group operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.

21 August 2015

* *For identification purposes only*