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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 (“Year”) together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2015	2014
	Notes	HK\$'000	HK\$'000
		Audited	Audited
Revenue	3	3,197,289	2,352,353
Cost of sales		(2,771,526)	(2,051,264)
Gross profit		425,763	301,089
Other income	5	94,858	73,932
Other gains and losses	6	(35,271)	15,423
Research and development expenses		(148,866)	(144,177)
Selling and distribution costs		(128,313)	(101,582)
Administrative expenses		(102,879)	(85,911)
Share of results of associates		(1,261)	—
Finance costs	7	(14,381)	(8,599)
Profit before taxation		89,650	50,175
Taxation	8	(19,775)	(16,029)
Profit for the year	9	69,875	34,146
Profit for the year attributable to:			
Owners of the Company		64,645	23,967
Non-controlling interests		5,230	10,179
		69,875	34,146
Earnings per share (HK cents)	11		
Basic		2.53	0.94
Diluted		2.51	0.94

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited
Profit for the year	<u>69,875</u>	<u>34,146</u>
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	(91,113)	(19,435)
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	–	27,753
Deferred tax liabilities on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	–	(6,938)
	<u>(91,113)</u>	<u>1,380</u>
Total comprehensive (expense) income for the year	<u>(21,238)</u>	<u>35,526</u>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(19,277)	27,184
Non-controlling interests	(1,961)	8,342
	<u>(21,238)</u>	<u>35,526</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK\$'000 Audited	2014 HK\$'000 Audited
Non-current assets			
Investment properties		355,981	363,850
Properties, plant and equipment		405,976	467,294
Land use rights		91,605	100,154
Intangible assets		117,017	76,693
Deferred tax assets		45,487	47,556
Finance lease receivables		3,184	11,146
Entrusted loan receivables		47,360	—
Interests in associates		5,333	1,694
Available-for-sale investments		16,875	16,875
Consideration receivable		1,806	—
		1,090,624	1,085,262
Current assets			
Inventories		668,271	354,365
Finance lease receivables		9,954	7,661
Properties under development for sale		227,010	455,948
Properties held for sale		340,681	95,306
Trade and notes receivables	12	292,356	255,746
Other receivables, deposits and prepayments		254,709	249,897
Consideration receivable		754	—
Amounts due from non-controlling shareholders of subsidiaries		8,504	—
Entrusted loan receivables		74,592	167,315
Pledged bank deposits		102,864	40,913
Structured deposits		—	41,441
Bank balances and cash		298,386	291,762
		2,278,081	1,960,354
Asset classified as held for sale		27,384	28,967
		2,305,465	1,989,321
Current liabilities			
Trade and notes payables	13	628,401	406,823
Other payables, deposits received and accruals		236,260	182,655
Amounts due to non-controlling shareholders of subsidiaries		46,911	35,140
Amount due to an associate		3,501	—
Bank borrowings		333,520	318,960
Tax payable		8,229	7,758
		1,256,822	951,336
Liability associated with asset classified as held for sale		24,805	16,252
		1,281,627	967,588
Net current assets		1,023,838	1,021,733
Total assets less current liabilities		2,114,462	2,106,995

	2015 <i>HK\$'000</i> Audited	2014 <i>HK\$'000</i> Audited
Capital and reserves		
Share capital	255,790	255,750
Reserves	1,639,989	1,656,261
Equity attributable to owners of the Company	1,895,779	1,921,011
Non-controlling interests	102,605	86,443
Total equity	1,998,384	1,998,454
Non-current liabilities		
Deferred tax liabilities	63,528	61,401
Deferred income	52,550	47,140
	116,078	108,541
	2,114,462	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 and intelligent manufacturing business and property development in the People’s Republic of China (“PRC”).

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 on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Application of new and revised IFRSs

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 19	Defined benefit plans: Employee contributions
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial instruments ¹
IFRS 15	Revenue from contracts with customers ¹
IFRS 16	Leases ⁴
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations ³
Amendments to IAS 1	Disclosure initiative ³
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation ³
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants ³
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception ³
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle ³
Amendments to IAS 7	Disclosure initiative ⁵
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses ⁵
Amendments to IAS 27	Equity method in separate financial statements ³

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective for annual periods beginning on or after 1 January 2017.

IFRS 9 “Financial instruments”

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 relevant to the Group are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 “Revenue from contracts with customers”

In July 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 “Revenue”, IAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation”

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset, this presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associate or joint venture”

The amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures” deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The Directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group’s consolidated financial statements in future periods should such transactions arise.

Annual improvements to IFRSs 2012-2014 cycle

The Annual improvements to IFRSs 2012-2014 cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The Directors do not anticipate that the application of these will have a material effect on the Group’s consolidated financial statements.

The Directors 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, interest income generated from equipment financial leasing to outsiders and service income generated from service provided to outsiders.

4. Segment information

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

During the year ended 31 December 2015, the Group was organised into six (2014: five) reportable and operating segments, being sale of handsets and solutions, sale of display modules, sale of wireless communication modules, internet of things business, intelligent manufacturing business and property development. During the year ended 31 December 2015, the Group started intelligent manufacturing business. Intelligent manufacturing business is principally selling equipment and providing services to customers, who are mainly manufacturers, to enhance the production efficiency of the customers through automation and intellectualisation of manufacturing process. The executive Directors consider this is a separate reportable and operating segment to the Group. 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 2015

	Sale of handsets and solutions <i>HK\$'000</i>	Sales of wireless communication modules <i>HK\$'000</i>	Internet of things business <i>HK\$'000</i>	Intelligent manufacturing business <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Segments total <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
			<i>(Note)</i>					
Revenue								
External sales	2,043,240	638,847	272,990	80,301	–	161,911	3,197,289	3,197,289
Segment profit (loss)	17,762	58,567	157	10,353	(5,031)	8,678	90,486	90,486
Other income and other gains and losses								36,820
Share of results of associates								(1,261)
Corporate expenses								(22,014)
Finance costs								(14,381)
Profit before taxation								89,650

For the year ended 31 December 2014

	Sale of handsets and solutions <i>HK\$'000</i>	Sales of wireless communication modules <i>HK\$'000</i>	Internet of things business <i>HK\$'000</i> <i>(Note)</i>	Sale of display 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	1,511,532	557,309	57,766	14,590	211,156	2,352,353	–	2,352,353
Inter-segment sales	–	–	–	1,029	–	1,029	(1,029)	–
Total	<u>1,511,532</u>	<u>557,309</u>	<u>57,766</u>	<u>15,619</u>	<u>211,156</u>	<u>2,353,382</u>	<u>(1,029)</u>	<u>2,352,353</u>
Segment profit (loss)	<u>3,631</u>	<u>40,875</u>	<u>(15,587)</u>	<u>(19,968)</u>	<u>21,865</u>	<u>30,816</u>	<u>–</u>	<u>30,816</u>
Other income and other gains and losses								49,008
Corporate expenses								(21,050)
Finance costs								<u>(8,599)</u>
Profit before taxation								<u>50,175</u>

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

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, gain on disposal of a subsidiary, unallocated exchange loss, loss on disposal of property, plant and equipment, corporate expenses, share of results of associates, 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 were 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:

At 31 December 2015

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Internet of things business <i>HK\$'000</i>	Intelligent manufacturing business <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	1,057,811	348,219	211,472	135,349	–	602,675	2,355,526
Investment properties							355,981
Property, plant and equipment							28,615
Land use rights							16,768
Deferred tax assets							45,487
Entrusted loan receivables							121,952
Interests in associates							5,333
Available-for-sale investments							16,875
Consideration receivable							2,560
Amounts due from non-controlling shareholders of subsidiaries							8,504
Other receivables, deposits and prepayments							9,854
Pledged bank deposits							102,864
Bank balances and cash							298,386
Asset classified as held for sale							27,384
Consolidated assets							<u>3,396,089</u>
Segment liabilities							
– attributable to internet of things business	–	–	12,673	–	–	–	12,673
– attributable to property development	–	–	–	–	–	132,627	132,627
– attributable to intelligent manufacturing business	–	–	–	49,914	–	–	49,914
– attributable to operating segments other than sale of display modules, internet of things business, intelligent manufacturing business and property development (<i>note</i>)							736,504
							<u>931,718</u>
Other payables, deposits received and accruals							17,808
Amounts due to non-controlling shareholders of subsidiaries and an associate							18,097
Bank borrowings							333,520
Tax payable							8,229
Deferred tax liabilities							63,528
Liability associated with asset classified as held for sale							24,805
							<u>465,987</u>
Consolidated liabilities							<u>1,397,705</u>

	Sale of handsets and solutions <i>HK\$ '000</i>	Sale of wireless communication modules <i>HK\$ '000</i>	Internet of things business <i>HK\$ '000</i>	Sale of display modules <i>HK\$ '000</i>	Property development <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
Segment assets	750,620	503,089	83,981	64,542	617,044	2,019,276
Investment properties						363,850
Property, plant and equipment						31,909
Land use rights						17,982
Deferred tax assets						47,556
Entrusted loan receivables						167,315
Interest in an associate						1,694
Available-for-sale investments						16,875
Other receivables, deposits and prepayments						5,043
Pledged bank deposits						40,913
Structured deposit						41,441
Bank balances and cash						291,762
Asset classified as held for sale						28,967
Consolidated assets						<u>3,074,583</u>
Segment liabilities						
– attributable to internet of things business	–	–	18,845	–	–	18,845
– attributable to sale of display modules	–	–	–	75,506	–	75,506
– attributable to property development	–	–	–	–	154,227	154,227
– attributable to operating segments other than sale of display modules, internet of things business and property development (<i>note</i>)						
						405,072
						653,650
Other payables, deposits received and accruals						18,108
Bank borrowings						318,960
Tax payable						7,758
Deferred tax liabilities						61,401
Liability associated with asset classified as held for sale						
						16,252
						422,479
Consolidated liabilities						<u>1,076,129</u>

Note: Liabilities attributable to reportable and operating segments other than sale of display modules, internet of things business, intelligent manufacturing business and property development represented payables to common suppliers of the reportable and operating segments other than sale of display modules, internet of things business, intelligent manufacturing business 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 deposits, bank balances and cash, entrusted loan receivables, interests in associates, available-for-sale investments, consideration receivable, deferred tax assets, certain other receivables, deposits and prepayments, amounts due from non-controlling shareholders of subsidiaries and asset classified as held for sale. 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, internet of things business, intelligent manufacturing business 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, unallocated amounts due to non-controlling shareholders of subsidiaries and amount due to an associate, bank borrowings, deferred tax liabilities and liability associated with asset classified as held for sale.

Other segment information

For the year ended 31 December 2015

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Internet of things business <i>HK\$'000</i>	Intelligent manufacturing business <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:								
Additions of property, plant and equipment	14,420	8,105	7,579	7,299	–	17	66	37,486
Additions of intangible assets	105,949	43,017	4,399	18,597	–	–	–	171,962
Depreciation of property, plant and equipment	38,106	11,962	2,953	3,631	–	453	6,688	63,793
Amortisation of intangible assets	78,798	41,602	1,851	3,314	–	–	–	125,565
Amortisation of land use rights	1,833	496	127	391	–	–	149	2,996
(Reversal of) allowance for bad and doubtful debts	(1,230)	1,833	–	–	–	–	–	603
Impairment loss recognised in respect of property, plant and equipment	–	–	–	–	4,305	–	–	4,305
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,305</u>	<u>–</u>	<u>–</u>	<u>4,305</u>

	Sale of handsets and solutions HK\$'000	Sale of wireless communication modules HK\$'000	Internet of things business HK\$'000	Sale of display 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	11,596	207	19,165	6	431	54	31,459
Additions of land use right	–	–	–	–	–	15,751	15,751
Additions of intangible assets	76,625	46,495	–	–	–	–	123,120
Depreciation of property, plant and equipment	43,217	21,626	1,133	6,731	677	13,356	86,740
Amortisation of intangible assets	49,758	43,984	–	–	–	–	93,742
Amortisation of land use rights	1,626	1,161	90	40	–	43	2,960
Reversal of allowance of inventories	(12,876)	–	–	–	–	–	(12,876)

Revenue from major products/services

	2015 HK\$'000	2014 HK\$'000
Sale of handsets and solutions	2,043,240	1,511,532
Sale of wireless communication modules	638,847	557,309
Sale of goods to vending machine customers and franchisees	252,805	53,630
Finance lease of equipment	4,329	4,136
Procurement agency service	15,856	–
Sale of intelligent manufacturing products	80,301	–
Sale of display modules	–	14,590
Sale of residential properties	161,911	211,156
	3,197,289	2,352,353

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2015 HK\$'000	2014 HK\$'000
Customer A ¹	654,009	–
Customer B ²	517,955	755,277

¹ Customer A operates in the mobile phone technology industry in the PRC (2014: No transactions with the Group).

² Customer B operates in the mobile phone technology industry in Taiwan.

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

	2015 HK\$'000	2014 HK\$'000
Refund of Value Added Tax ("VAT") (Note)	8,227	4,410
Government grants	28,122	26,099
Interest income earned on bank balances and structured deposits	6,863	3,898
Interest income earned on entrusted loan receivables	12,787	12,417
Rental income (Less: outgoings of HK\$3,734,000 (2014: HK\$2,527,000))	37,336	25,269
Others	1,523	1,839
	<u>94,858</u>	<u>73,932</u>

Note:

Shanghai Simcom Limited, Shanghai Simcom Wireless Solutions Limited, and Shenzhen Zhuoxuda Technology Development Company Limited (2014: Shanghai Simcom Limited and Shanghai Simcom Wireless Solutions Limited), subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software and the development of automated test equipment and software. Under the current PRC tax regulation, they are entitled to a refund of VAT paid for sales of self-developed and produced software and the development of automated test software in the PRC.

6. Other gains and losses

	2015 HK\$'000	2014 HK\$'000
(Loss) gain on disposal of property, plant and equipment	(2,402)	4,146
Net foreign exchange (loss) gain	(43,362)	174
Changes in fair values of investment properties	13,210	11,103
Gain on disposal of a subsidiary	2,191	—
Net allowance for bad and doubtful debts	(603)	—
Impairment loss recognised in respect of property, plant and equipment	(4,305)	—
	<u>(35,271)</u>	<u>15,423</u>

7. Finance costs

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interests on bank borrowings wholly repayable within five years	<u>14,381</u>	<u>8,599</u>

8. Taxation

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PRC Enterprise Income Tax ("EIT")	(14,154)	(10,104)
Land appreciation tax in the PRC	(3,239)	(3,167)
Overprovisions on PRC EIT in previous years	<u>3,620</u>	<u>350</u>
	(13,773)	(12,921)
Deferred tax expense for current year	<u>(6,002)</u>	<u>(3,108)</u>
Taxation for the year	<u>(19,775)</u>	<u>(16,029)</u>

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.

EIT is calculated at the rates prevailing in the relevant districts of the PRC and taking relevant tax incentives into account.

9. Profit for the year

2015
HK\$'000

2014
HK\$'000

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

Auditor's remuneration	1,950	1,950
Amortisation of intangible assets (included in cost of sales)	125,565	93,742
Less: Amount capitalised in development costs	(2,645)	(1,007)
	122,920	92,735
Amortisation of land use rights	2,996	2,960
Depreciation of property, plant and equipment	63,793	86,740
Less: Amount capitalised in development costs	(3,845)	(2,920)
	59,948	83,820
Impairment loss on property, plant and equipment	4,305	–
Reversal of allowance of inventories (included in cost of sales)	–	(12,876)
Costs of inventories recognised as an expense (included in cost of sales)	2,635,235	1,878,441
Costs of properties sold (included in cost of sales)	136,291	166,823
Staff costs:		
Directors' emoluments	4,769	4,686
Other staff costs		
– Salaries and other benefits	301,443	254,085
– Retirement benefits scheme contributions	57,707	50,585
– Share-based payments	2,904	3,880
	366,823	313,236
Less: Amount capitalised in development costs	(130,248)	(94,365)
	236,575	218,871

10. Dividends

The Directors do not recommend the payment of a final dividend for the years ended 31 December 2015 and 2014.

11. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u><u>64,645</u></u>	<u><u>23,967</u></u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,557,747	2,557,499
Effect of dilutive potential ordinary shares – share option	<u>15,092</u>	<u>2,227</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,572,839</u></u>	<u><u>2,559,726</u></u>

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 and notes receivables presented based on the invoice dates at the end of the reporting period:

	2015 HK\$'000	2014 HK\$'000
Trade receivables		
0 – 30 days	169,379	199,100
31 – 60 days	75,372	31,550
61 – 90 days	26,913	4,475
91 – 180 days	3,688	1,851
Over 180 days	30,964	35,987
	306,316	272,963
Less: Accumulated allowances	(31,551)	(32,877)
	274,765	240,086
Notes receivables (note)		
0 – 30 days	17,591	15,660
	292,356	255,746

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 customer.

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 dates for trade payables or date of issuance for notes payables is as follows:

	2015 HK\$'000	2014 HK\$'000
0 – 30 days	569,902	273,817
31 – 60 days	35,444	35,162
61 – 90 days	4,112	6,489
Over 90 days	18,943	91,355
	628,401	406,823

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For 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 Monday, 30 May 2016 to Wednesday, 1 June 2016 (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 pm on Friday, 27 May 2016.

ANNUAL GENERAL MEETING

The AGM will be held at Unit 1804A, 18th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong on Wednesday, 1 June 2016. The notice of the AGM will be posted on the respective websites of the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and dispatched to the Shareholders in due course.

MANAGEMENT’S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the Group’s shift in business positioning and development strategies after its business transformation has begun to show results. In addition to maintaining the growth in its Original Design Manufacturer (“ODM”) handset business and wireless communication modules business, the Group has also actively expanded the industrial application terminal, Internet of Things (“IOT”) and the intelligent robotic manufacturing businesses. During the Year, most of the core business (as defined on page 27) of the Group recorded growth in revenue, which has laid a solid foundation for the sustainable development of its overall operation in the future.

For the handsets and solutions business, the Group has continued to develop the high-end ODM consumer handset business as well as actively expanded its business in industry and IOT application mobile terminals. During the Year, shipment volume, sales and profit of the two production lines have shown substantial growth when compared with last year.

Thanks to the strong demand for the Group's 2G, 3G and 4G wireless communication modules from domestic and overseas markets, the communication modules business has set another new record in annual shipment volume. The increase in shipment volume in Europe, Southeast Asia and Australia exceeded 50%. Thus, annual shipment volume, turnover and gross profit have shown notable growth. However, gross profit margin for the Year dropped slightly due to the rapid reduction in the average selling price of 2G products and the higher investment costs of new 4G products.

As for the IOT business, the Group has continued to boost the investment in the value-added services of intelligent vending machines. It has expanded the business from retail and finance leasing to sectors including beverage trading, Online-To-Offline ("O2O") operation of vending machines and intelligent vending machine controller manufacturing, etc. Besides, the Group has established the cloud computing and big data service platform, which can support smart home elderly service systems, health monitoring systems and vehicle anti-theft management systems. While such business has yet to contribute to the financial results, it has laid down a well-defined profitability model and potential for replication, giving the Group a solid foundation for development of the IOT business.

The Group has actively expanded the intelligent manufacturing business in recent years. Starting from its own handset plant, the Group has developed robot automated test equipment. It has also acquired a number of non-standard automation integration companies by way of industry association as a means to enter other sectors in the PRC's manufacturing industry. During the Year under review, the business has achieved a breakthrough after starting from scratch. Although the scale was not enormous, the intelligent manufacturing business is expected to generate fruitful revenue and gross profit for the Group in the years ahead.

Handsets and solutions business

In the PRC, the depth and breadth of subsidies for the handset operators has further shrunk, leading to further reductions in the share of mass procurement from operators, thus resulting in limited profits for branded manufacturers and ODMs. Many manufacturers have reduced product introductions to the market, resulting in the domestic consumer handset market gradually returning to branded manufacturers. Smartphones have played a key role in penetrating the mobile internet market, and this phenomenon has driven some internet and other consumption brands and channels to transfer their own core business to mobile terminals as well as launch their self-developed handsets. During the Year, the Group has seized the opportunities to focus its efforts on differentiated customers and products, enabling it to achieve better results in the handset business. The Group will continue to closely monitor its progress as it proceeds in this direction to capture more market opportunities.

Demand from industrial application terminals has continued to rise along with the further expansion and the firm foothold achieved by the IOT market. Compared with consumer handsets, there is still huge room for development in the sale of the industrial terminal market. In particular, the rapid growth in specific industries such as information and public safety, mobile office, Internet of Vehicles (“IoV”) and mobile payment is set to further stimulate demand for industrial terminal markets and products, resulting in the continued expansion of market capacity. During the Year, riding on the experience in developing handsets, the Group has developed the handset chip-based core board (i.e. an intelligent module) and achieved great success. The product has been widely applied in areas such as mobile payment Point-of-Sale (“POS”) machines and the IoV.

Wireless communication modules business

During the Year, the Group has recorded growth in overall shipment volume, revenue and gross profit of wireless communication modules. The growth was attributable to the varying degrees of increases in product demand in domestic and overseas markets. As for the products, sales of 3G modules recorded growth of more than 30% when compared with last year, and sales of Global Navigation Satellite System (“GNSS”) modules also recorded a growth of three times when compared with last year. The Group has also increased the sales of 4G products with higher selling prices and two of its important ODM projects have started mass shipment in 2015, driving higher growth in annual sales and gross profit. However, despite the growth in sales volume, gross profit margin for the Year has dropped due to the greater reduction in average selling price of module products in the market, especially 2G products, and the higher investment costs for the new 4G products.

As for the market, the IOT market in China has continued to flourish. Its mainstream application markets including wireless Automated Meter Reading (“AMR”), security and surveillance, smart home, IoV, mobile payment POS, smart home electrical appliances and health care sectors have all shown growth to a varying extent. The application terminals in various industries have been upgraded to complement the rapid growth and popularity of 4G technology, which has further facilitated the innovation and continuous growth of the IOT market. Thanks to a comprehensive product series, extensive industry application experience and strategic cooperation with major customers in the industry, the Group was able to maintain its leadership position in the application in IoV, POS, wireless AMR, security and surveillance applications, etc. Regarding the emerging smart home, smart electrical appliances and healthcare markets, the Group has actively developed supporting products and conducted research and development (“R&D”) for terminal products which quickly meet the needs of customers and have achieved outstanding results. These major application markets are expected to see robust growth in the future. In addition, the Group has also increased its efforts in developing tailored projects for major customers in specific industries, thereby assisting customers to speed up R&D in terminal products and save development costs.

In overseas markets, Europe has gradually overcome the impact of financial crisis as a result of the change in economic condition. Customers in Western Europe have placed higher recognition on the Group's 2G modules with a high price-performance ratio and demand has been rising. Customers in Eastern Europe have a strong demand for 3G products while demand for 2G, 3G and GNSS modules has increased substantially in Southeast Asia and Australia, increasing the shipment volume in these regions for more than 50% annually. As for North America, the shipment volume of the Group's 3G modules was stable and recorded a slight increase. Our SIM7100A 4G module was certified by AT&T and was applied in products by certain customers. The Group is also designing 4G CAT1 modules which meet the requirements set by AT&T, as well as developing the module project in collaboration with Verizon and Sprint. In Japan, certification for 4G modules has been gradually completed and the design work for customers' terminal products has also commenced. The Group expects these collaborative modules and terminal projects with operators will generate higher revenue in 2016.

IOT business

In recent years, the Group's big data platform has continued to focus on services for the elderly, as well as in the transportation and security sectors. It has also established an elderly cloud big data service platform, an IoV big data platform and an organisational smart elderly management platform. Currently, the Group has deployed more than 50,000 units of virtual machines used for big data processing, providing all-round cloud computing services for its customers.

In 2015, based on the elderly cloud big data service platform, the Group has introduced the advanced elderly service concept from Sweden. It has implemented and completed the development of the elderly service system of Yiheyuan (颐和苑), a high-end elderly organisation in Shanghai which has received high attention and affirmation from the leaders in the city. The Group has built an Location Based Services ("LBS") IoV system with several hundred thousand vehicles connected to the system so far. The system can enable the simultaneous connection of up to ten million vehicle terminals and thus effectively lowers the loss rate of vehicles.

After two years of development, the Group has enhanced the digital and networking functions of its vending machines by uploading the status and transaction information of vending machines to the cloud platform in real time. With such a comprehensive O2O platform, this business possesses huge development potential. The vending machine operation, maintenance and management platform developed by the Group adopts high performance servers, highly effective program designs and language and a highly functional database and structure model which is able to support up to millions of terminal connections. The platform can assist customers to perform instant management of traditional operations businesses, as well as support various O2O businesses including advertising, online payment and purchase points redemption in loyalty programs.

During the Year under review, the scope of the automatic vending machine business expanded from retail and finance leasing to more areas including beverage trading, vending machine O2O operations and the manufacturing of smart vending machine controllers. This year, the Group's subsidiary Shanghai Yunhao Trading Limited ("Shanghai Yunhao") experienced a more rapid business growth when compared to last year. To attract more operators to join its platform, Shanghai Yunhao has broadened its scope by adding the front-end supply chain business for automatic vending machines and the provision of beverage and food wholesale and logistics service during the Year. Despite the volume of wholesale goods recording a greater growth in the Year, the gross profit margin of the new beverage trading and distribution business was relatively lower. As a result, the sales of this business recorded notable growth as compared to last year while its gross profit margin for the Year greatly decreased. Regarding the adjustment in the finance leasing business, the Group shortened the lease period of certain customers and allowed them to buy the automatic vending machines in order to reduce the scale of finance leasing, lower the burden and risks of its assets and concentrate its resources to develop the profitability of its online business in the future.

Intelligent manufacturing business

In 2015, the Group placed great emphasis on the development of the robotic automation business and officially established the intelligent manufacturing business segment. The Group seamlessly integrated its self-developed standard robot arm and visual system and developed a handset motherboard Printed Circuit Board Assembly ("PCBA") automatic testing system, which replaced more than ten testing workers. During the Year, the Group completed the equipment upgrade from the first generation to the third generation, further enhancing its price-performance ratio. Consequently, the system can enhance the quality level while greatly lowering the manufacturing cost of handsets. Currently, the equipment is widely used by the leading handset processing plants in the PRC and has been highly praised in the industry.

During the Year, the Group officially formed the "SIM Intelligent Manufacturing System ("IMS") manufacturing industry alliance". The alliance has attracted a group of some non-standard automation integration companies. Through this platform, they can realise their strengths in their respective technology fields and most familiar markets and utilise the shared resources of the platform to grow rapidly. This in turn is facilitating the Group's intelligent manufacturing business to expand rapidly from the handset manufacturing industry to other new labour-intensive fields, as it transforms from a single-unit intelligent equipment provider to a turnkey total automated solutions restructuring service provider.

The Group aims to comply with the Industry 4.0 and Made in China 2025 strategic directives. With the goal of replacing manpower through automated restructuring, the Group has deployed Process Control System ("PCS"), Manufacturing Execution System ("MES") and Enterprise Resource Planning ("ERP") systems in its factories to implement an information management system across the entire manufacturing process, to expedite networking of all equipment and, in turn, making its factories more intelligent and flexible. The Group has formed a team to develop intelligent manufacturing business with the aim to achieve restructuring by utilising intelligent applications in the high-end manufacturing industry. Negotiations with several interested enterprises are underway. At the same time, the Group is accelerating the R&D of its proprietary MES.

In 2015, the Group specially engaged the world's top visual analysts and established the SIM IMS research institute to focus on developing proprietary visual and artificial intelligent applications, some of which have been successfully applied in the market.

Display modules business

The Group has decided to reduce the operation scale of this business since 2013 and gradually cleared the inventory, idle materials and equipment production lines. Currently the Group is now procuring display and touch panel module products from external suppliers to meet its internal demand.

Properties development

As at 31 December 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 636 units had been sold. Phase III has a total of 456 residential units, of which 108 units had been sold.

As at 31 December 2015, Phase I of “Seven River in Sweet” (七里香溪), which is located in Taizhou City, the PRC, has a total of 310 residential units, of which 179 units had been sold. The construction of the Phase II has been started in the second half of year 2015.

The revenue recognised for Year was amounted to HK\$161.9 million (2014: HK\$211.2 million) with gross profit margin of 15.8% (2014: 21.0%).

PROSPECTS

In the future, the Group will continue to implement its ongoing strategies. As for the handset business, the Group believes the business will maintain steady growth. The size of the consumer handset market is expected to remain unchanged in 2016. At the same time, the consolidation of brands will be further enhanced and the price and market competition will be intensified. The Group will continue to actively strive to secure high-end differentiated customers so as to bring a stable revenue to the handset business. With the continued growth in the IOT and industrial application markets, the Group expects that the industrial applications terminal business will achieve greater growth compared to 2015. Thus, the Group will continue to increase investment in industry terminals and broaden the product range and service scope with the aim to provide more quality products and gain profit. Apart from strengthening close cooperation with the existing consumer and industry customers, the Group will continue to actively explore domestic and international customers with good market prospects and development potential. The Group has begun stringent control over R&D and operating costs of several major industrial customers in the second half of 2015, which is expected to bring a greater contribution to the business performance in the second half of 2016. Regarding the development of overseas markets, the Group will maintain its focus on the economically developed markets such as Europe, America and Japan. Looking ahead to 2016, the Group believes the business of these markets will further expand.

Within the coming three years, the wireless communication module 2G products will remain the core of IOT applications. The Group will continue to enrich its 2G product range and boost competitiveness of its products. As there is still room for growth in the 3G product market, the Group will launch 3G products with a higher price-performance ratio in 2016 while continuously increasing investment in the GNSS products and optimise the product range. 4G module products are the Group's most important focus and have enormous room for growth. The Group has commenced mass production of several CAT3/CAT4 products and will design CAT4 and CAT1 products with a high price-performance ratio. Meanwhile, it will continue to monitor the evolution of the Narrow Band IOT ("NB-IOT") technology application trend and continue to enhance its relationship with major domestic and overseas operators. Given the good results and the solid foundation laid in the past years, the Group will still be able to maintain a leading position in the global IOT module application and solutions market.

As for the IOT business, the Group will continue to further develop the value-added business within the intelligent automatic vending machine industry, accelerate cooperation within the cloud-based business. It will also step up promotion efforts of the O2O business, confirm the development of the Shanghai Yunhao division and regional branch offices, explore new business cooperation models in the industry and rapidly expand its scale of business. Moreover, the Group will continue to expand the cloud and big data service platform and provide a strong cloud computing service and data to support its self-developed smart home elderly service system, health monitoring systems and vehicle anti-theft management systems, and to promote these systems to domestic and overseas markets.

In 2016, the Group is expanding intelligent automation applications in the handset manufacturing business by, firstly, helping customers to implement intelligent applications throughout the whole factory, from automation of motherboard manufacturing to testing of the entire system, the automation of packaging and then the MES for the management of handset manufacturing as well as intelligent warehousing and intelligent logistics and, secondly, speeding up the extension of its business to other fields apart from the handset manufacturing industry. At present, automation and intelligent applications are the shared goals in the PRC's manufacturing industry. Enhancement of production efficiency, automation and transformation have become urgent needs of all major enterprises. The management expects that 2016 should be a fast-growing period for the intelligent manufacturing business of the Group. Riding on the success of 2015, the Group will continue to increase investment and expedite the pace of development in a bid to drive the intelligent manufacturing business to achieve a few-fold increase and to become one of the Group's core businesses in the future.

The management believes that the Group has identified new growth points and development directions to lay a foundation for its sustainable development. The management is confident that the growth of its new business is set to advance the Group's business to new heights in the future.

FINANCIAL REVIEW

For the year ended 31 December 2015, the revenue from sale of handsets and solutions, wireless communication modules, display modules, internet of things business and intelligent manufacturing business (“core business”) increased significantly by 41.8% to HK\$3,035.4 million (2014: HK\$2,141.2 million). The revenue from the sale of residential units in China amounted to HK\$161.9 million (2014: HK\$211.2 million). The total revenue of the Group for the Year, included revenue of core business and properties development, amounted to HK\$3,197.3 million (2014: HK\$2,352.4 million).

The gross profit for core business of the Group for the Year increased substantially by 55.8% year-on-year to HK\$400.2 million (2014: HK\$256.8 million). The gross profit margin for core business increased to 13.2% (2014: 12.0%). The overall gross profit margin of the Group for the Year was 13.3% (2014: 12.8%).

As a result of the significant increase in the revenue, the Group achieved a profit attributable to owners of the Company which increased year-on-year by 169.7% to HK\$64.6 million (2014: HK\$24.0 million) for the Year. The basic earnings per share for the Year was HK2.53 cents (2014: HK0.94 cent).

Research and development expenses

In 2015, the Group focused on the development of IOT and intelligent manufacturing businesses. The number of design and development team members was 820 (2014: 800) in 2015. The R&D expenses, which amounted to HK\$148.9 million (2014: HK\$144.2 million), represented 4.7% (2014: 6.1%) of the Group’s revenue.

Selling and distribution costs

The selling and distribution costs of the Group for the Year increased by 26.3% to HK\$128.3 million (2014: HK\$101.6 million). The ratio of the selling and distribution costs over revenue in 2015 was 4.0% (2014: 4.3%).

Administrative expenses

The Group’s administrative expenses for 2015 increased by 19.8% to HK\$102.9 million (2014: HK\$85.9 million), representing 3.2% (2014: 3.7%) of the revenue.

Segment results of core business

	Year ended 31 December 2015			Year ended 31 December 2014		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit (loss)	Gross profit (loss) margin
	<i>HK\$'M</i>	<i>HK\$'M</i>	%	<i>HK\$'M</i>	<i>HK\$'M</i>	%
Handsets and solutions	2,043.2	235.8	11.5	1,511.5	160.5	10.6
Wireless communication modules	638.9	94.7	14.8	557.3	90.8	16.3
Internet of things business	273.0	42.2	15.5	57.8	13.5	23.4
Intelligent manufacturing business	80.3	27.5	34.2	—	—	—
Display modules	—	—	—	14.6	(8.0)	(54.8)
Total	<u>3,035.4</u>	<u>400.2</u>	<u>13.2</u>	<u>2,141.2</u>	<u>256.8</u>	<u>12.0</u>

Handsets and solutions

During the Year, the Group has seized the opportunities to focus its efforts on differentiated customers and products, enabling it to achieve better results from the handset business. As a result, the revenue for handsets and solutions increased significantly year-on-year by 35.2% to HK\$2,043.2 million (2014: HK\$1,511.5 million) in 2015. The gross profit margin for this segment increased slightly to 11.5% (2014: 10.6%) in 2015. The revenue of ODM business contributed to approximately 91% of the revenue of this segment in 2015 (2014: 78%).

Wireless communication modules

During the Year, the Group has recorded growth in revenue and gross profit of wireless communication modules. The growth was attributable to the varying degree of increases in product demand in domestic and overseas markets. However, gross profit margin for the Year has dropped due to the greater reduction in average selling price of module products in the market, especially 2G products, and the higher investment costs for the new 4G products. In 2015, the revenue of this segment increased by 14.6% as compared to that of year 2014, while the gross profit margin decreased to 14.8% (2014: 16.3%).

Internet of things business

During the Year, the scope of the automatic vending machine business expanded from retail and finance leasing to beverage trading, as a result, the revenue of this segment increased significantly by 3.7 times as compared to year 2014. Despite the volume of wholesale goods recording a greater growth in the Year, the gross profit margin of the new beverage trading and distribution business was relatively lower. As a result, the gross profit margin of this segment for the Year greatly decreased to 15.5% (2014: 23.4%).

Intelligent manufacturing business

In 2015, the Group placed great emphasis on the development of the robotic automation business and officially established the intelligent manufacturing business segment. The revenue of this new business segment amounted to HK\$80.3 million for the Year and the gross profit margin was 34.2%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2015, the Group had bank balances and cash of HK\$298.4 million (31 December 2014: HK\$291.8 million), among which 71.6% was held in Renminbi, 28.3% was held in US dollars and the remaining balance was held in Hong Kong dollars. The Group also had pledged bank deposits of HK\$102.9 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\$333.5 million (31 December 2014: HK\$319.0 million), among which 83.5% was denominated in Renminbi and the remaining balance was denominated in US dollars. All of the bank borrowings were at floating interest rates and repayable within one year.

Operating Efficiency

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

	2015	2014
	Days	Days
Inventory turnover period	71	53
Trade and notes receivables period	33	41
Trade and notes payables period	64	56

The inventory turnover period increased in 2015 as compared to 2014 because the finished goods to be delivered at the beginning of year 2016 increased significantly as compared to the beginning of year 2015.

The trade and notes receivables period decreased in 2015 as compared to 2014 because the trade receivables from a major customer, with shorter credit period, increased in year 2015 as compared to that of year 2014.

The trade and notes payables period increased in 2015 as compared to 2014 because the average balance of trade payables significantly increased in year 2015 as compared to that of year 2014.

As at 31 December 2015, the current ratio, calculated as current assets over current liabilities, was 1.8 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 31 December 2015, the Group has entrusted a total amount of HK\$122.0 million under certain asset management agreements for an investment period from six months to two years. During the Year, 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 the Year, the Group did not use any financial instrument for hedging purpose but it will consider entering into non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposures in US dollars when necessary.

CAPITAL STRUCTURE

As at 31 December 2015, the Company had 2,557,896,300 ordinary shares of HK\$0.10 each in issue.

The Company has issued 397,800 ordinary shares of HK\$0.10 each upon exercise of share options of the Company during the Year.

Save as disclosed above, no shares of the Company has been issued or repurchased during the Year.

CASH FLOW STATEMENT HIGHLIGHTS

	2015 <i>HK\$' million</i>	2014 <i>HK\$' million</i>
Net cash from operating activities	161.6	44.6
Capital expenditure	(25.4)	(19.2)
Development costs	(172.0)	(123.1)
Net increase in bank borrowings	14.6	129.9
Investments in associates	(4.9)	(1.7)
Net decrease/(increase) in entrusted loan receivables	45.4	(41.4)
Proceeds from disposal of machinery and equipment	2.9	16.3
Deposits received for disposal of an associate	8.6	16.3
Others	(3.7)	(15.8)
Net increase in bank balances and cash (including pledged bank deposits and structured deposits)	27.1	5.9

GEARING RATIO

As at 31 December 2015, the total assets value of the Group was HK\$3,396.1 million (31 December 2014: HK\$3,074.6 million) and the bank borrowings was HK\$333.5 million (31 December 2014: HK\$319.0 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 9.8% (31 December 2014: 10.4%).

FUTURE PLANS FOR MATERIAL INVESTMENT

As at the date of this announcement, the Group does 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 Year, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 31 December 2015, the Group had approximately 2,600 (2014: 2,180) 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 and may grant share options under the share option scheme of the Company to its employees by reference to individual performance and the performance of the Group. Total staff costs incurred by the Group amounted to HK\$366.8 million (2014: HK\$313.2 million) during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

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 the Year.

Code provision A.2.7 of the Corporate Governance Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) 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 of the Board 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.

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 the Directors, that each of them has fully complied with the required standard as set out in the Model Code during the Year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the consolidated financial statements of the Group for the Year and has recommended their adoption by the Board.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 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 of the Stock Exchange (www.hkexnews.hk). The 2015 annual report will be despatched to the Shareholders and be available on the above websites in due course.

APPRECIATION

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

DIRECTORS

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 of the Company 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 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 Group operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.

24 March 2016

* For identification purposes only