SIM Technology

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 2018

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 2018 ("Year") together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		Audited	Audited
Revenue	*3*	**2,312,230**	3,258,517
Cost of sales and services		**(2,135,339)**	(2,863,306)
Gross profit		**176,891**	395,211
Other income	*5*	**36,084**	73,736
Other expenses		**(90,499)**	–
Impairment losses, net of reversal		**(13,287)**	854
Other gains and losses	*6*	**483,821**	36,824
Research and development expenses		**(52,240)**	(90,641)
Selling and distribution costs		**(114,450)**	(144,433)
Administrative expenses		**(121,201)**	(122,238)
Share of results of associates		**770**	(1,527)
Finance costs	*7*	**(6,243)**	(8,990)
Profit before taxation		**299,646**	138,796
Taxation	*8*	**(84,607)**	(36,190)
Profit for the year	*9*	**215,039**	102,606
Profit (loss) for the year attributable to:			
Owners of the Company		**238,012**	111,651
Non-controlling interests		**(22,973)**	(9,045)
		215,039	102,606
Earnings per share (HK cents)	*11*		
Basic		**9.33**	4.36
Diluted		**9.33**	4.36

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	Audited	Audited
Profit for the year	**215,039**	102,606
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss during the year:		
Fair value change on available-for-sale investment	**–**	(107,195)
Deferred tax arising from fair value change on available-for-sale investment	**–**	26,799
Item that may not be subsequently reclassified to profit or loss during the year:		
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	**48,974**	–
Fair value loss on investment in equity instrument at fair value through other comprehensive income	**(28,561)**	–
Deferred tax relating to items that will not be reclassified to profit or loss	**(5,104)**	–
Exchange difference arising on translation to presentation currency	**(59,644)**	93,628
Other comprehensive (expense) income	**(44,335)**	13,232
Total comprehensive income for the year	**170,704**	115,838
Total comprehensive income (expense) attributable to:		
Owners of the Company	**198,170**	118,777
Non-controlling interests	**(27,466)**	(2,939)
	170,704	115,838

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** ***HK$'000*** **Audited**	2017 *HK$'000* Audited
Non-current assets			
Investment properties		**479,282**	384,949
Property, plant and equipment		**306,179**	399,258
Land use rights		**68,104**	86,793
Intangible assets		**147,950**	188,765
Deferred tax assets		**44,606**	47,339
Finance lease receivables		**328**	705
Interest in associates		**3,044**	2,274
Available-for-sale investment		–	80,253
Equity instruments at fair value through other comprehensive income ("FVTOCI")		**39,149**	–
Other receivables		**8,793**	–
Consideration receivables		**4,796**	1,733
		1,102,231	1,192,069
Current assets			
Inventories		**372,846**	758,531
Finance lease receivables		**432**	2,097
Properties held for sale		**41,683**	502,998
Trade and notes receivables	*12*	**231,499**	344,208
Contract assets		**36,353**	–
Other receivables, deposits and prepayments		**423,913**	331,579
Consideration receivables		**4,601**	723
Amount due from an associate		**4,400**	3,200
Amounts due from non-controlling shareholders of subsidiaries		**4,496**	11,633
Financial assets at fair value through profit or loss ("FVTPL")		**18,278**	–
Entrusted loan receivables		**25,946**	36,150
Pledged bank deposits		**57,557**	30,125
Bank balances and cash		**647,776**	417,092
		1,869,780	2,438,336
Current liabilities			
Trade and notes payables	*13*	**184,822**	393,750
Contract liabilities		**219,345**	–
Other payables, deposits received and accruals		**50,498**	599,012
Other liabilities		**29,692**	141,154
Bank borrowings		**83,887**	84,104
Tax payable		**43,931**	37,992
		612,175	1,256,012
Net current assets		**1,257,605**	1,182,324
Total assets less current liabilities		**2,359,836**	2,374,393

	Notes	**2018** ***HK$'000*** **Audited**	2017 *HK$'000* Audited
Capital and reserves			
Share capital		**252,025**	255,955
Reserves		**1,907,009**	1,865,855
Equity attributable to owners of the Company		**2,159,034**	2,121,810
Non-controlling interests		**63,405**	101,481
Total equity		**2,222,439**	2,223,291
Non-current liabilities			
Deferred tax liabilities		**98,200**	99,151
Deferred income		**39,197**	51,951
		137,397	151,102
		2,359,836	2,374,393

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 (the "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 handsets and internet of things ("IOT") terminals business, electronics manufacturing services ("EMS") business, carrying out IOT system and online-to-offline ("O2O") business, 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") issued by the International Accounting Standards Board. 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 consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting periods. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. Application of new and amendments to International Financial Reporting Standards ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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 these consolidated financial statements.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

The Group recognises revenue from the following major sources:

- Sale of handsets and IOT terminals
- Own-branded products manufacturing
- EMS
- Sale of goods to vending machine customers and franchisees
- Equipment finance lease service
- Procurement agency service
- Sale of intelligent manufacturing products
- Sale of properties
- Property rental

The revenue sources of equipment finance lease service and property rental are not within the scope of IFRS 15.

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under IFRS 15 at 1 January 2018*
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Trade and notes receivables	*(a)*	344,208	(19,681)	324,527
Contract assets	*(a)*	–	19,681	19,681
Current liabilities				
Contract liabilities	*(b)*	–	487,668	487,668
Other payables, deposits received and accruals	*(b)*	599,012	(487,668)	111,344

* The amounts in this column are before the adjustments from the application of IFRS9.

(a) At the date of initial application, unbilled revenue of HK$19,681,000 arising from the sale of intelligent manufacturing products contracts were conditional on the completion of retention period as stipulated in the contracts, and hence such balance was reclassified from trade and notes receivables to contract assets.

(b) As at 1 January 2018, deposits received from customers for sales of goods and properties of HK$487,668,000 in respect of the sale of handsets and IOT terminals, sale of own-branded wireless products, sale of goods to vending machine customers and franchisees and sale of properties contracts previously included in other payables, deposits received and accruals were reclassified to contract liabilities for HK$487,668,000.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidation statement of financial position

	Notes	As reported	Adjustments	Amounts without application of IFRS 15
		HK$'000	*HK$'000*	*HK$'000*
Current assets				
Trade and notes receivables	*(a)*	231,499	36,353	267,852
Contract assets	*(a)*	36,353	(36,353)	–
Current liabilities				
Contract liabilities	*(b)*	219,345	(219,345)	–
Other payables, deposits received and accruals	*(b)*	50,498	219,345	269,843

Impact on the consolidated statement of cash flows

	Notes	As reported HK$'000	Adjustments HK$'000	Amounts without application of IFRS 15 HK$'000
Operating activities				
Increase in trade and notes receivables	*(a)*	25,877	(18,677)	7,200
Increase in contract assets	*(a)*	(18,677)	18,677	–
Decrease in trade and other payables	*(b)*	(105,618)	(256,223)	(361,841)
Decrease in contract liabilities	*(b)*	(256,223)	256,223	–

(a) Without application of IFRS 15, i) retention receivables from the sale of intelligent manufacturing products of HK$8,222,000 would have been classified as trade and notes receivables instead of contract assets as the sale of intelligent manufacturing products has been completed in the current year; and ii) the purchase of raw materials of HK$28,131,000 on behalf of customer in EMS would have been classified as trade and notes receivables instead of contract assets as risk and reward on the underlying raw materials have been passed to the customer before physical delivery of relevant finished goods.

(b) Without application of IFRS 15, deposits received from customers for the sale of goods and properties would have been included in other payables, deposits received and accruals.

There is no material impact of applying IFRS 15 on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

2.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets and lease receivables) and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale investments** *HK$'000*	**Equity instructments at FVTOCI** *HK$'000*	**Financial assets at amortised cost (previously classified as loans and receivables)** *HK$'000*	**Financial liabilities at amortised cost** *HK$'000*	**Contract assets** *HK$'000*	**Deferred tax liabilities** *HK$'000*	**Assets revaluation reserve** *HK$'000*	**Accumulated profit** *HK$'000*	**Non-controlling interests** *HK$'000*
Closing balance at 31 December 2017 – IAS 39		80,253	–	879,008	720,444	–	51,812	47,534	516,262	101,481
Effect arising from initial application of IFRS 15		–	–	(19,681)	–	19,681	–	–	–	–
Effect arising from initial application of IFRS 9:										
Reclassification from available-for-sale investments	*(a)*	(80,253)	80,253	–	–	–	–	–	–	–
Remeasurement of impairment under ECL model	*(b)*	–	–	(4,000)	–	–	–	–	(4,000)	–
Opening balance at 1 January 2018		–	80,253	855,327	720,444	19,681	51,812	47,534	512,262	101,481

(a) Available-for-sale investment

From AFS equity investments to FVTOCI

The Group has elected to present in OCI the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, HK$80,253,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of HK$47,534,000 relating to those investments previously carried at fair value continued to accumulate in asset revaluation reserve.

(b) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and finance lease receivables. To measure the ECL, contract assets and trade receivables have been grouped based on past due characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the expected loss rates for the contract assets.

ECL for other financial assets at amortised cost, including entrusted loan receivables, note receivable, consideration receivable, pledged bank deposit, bank balances and cash, amount due from an associate and amounts due from non-controlling shareholders of subsidiaries, are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$4,000,000 has been recognised against accumulated profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including contract assets, trade and note receivables and other financial assets at amortised cost as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 are as follows:

	Opening loss allowance of contract assets	**Opening loss allowance of trade and notes receivables**	**Opening loss allowance of other financial assets at amortised cost**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2017			
– IAS 39	N/A	22,455	–
Amounts remeasued through opening accumulated profits	–	4,000	–
At 1 January 2018	–	26,455	–

2.3 Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	IFRS 15	IFRS 9	1 January 2018 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets				
Trade and notes receivables	344,208	(19,681)	(4,000)	320,527
Contract assets	–	19,681	–	19,681
Current liabilities				
Other payables, deposits received and accruals	599,012	(487,668)	–	111,344
Contract liabilities	–	487,668	–	487,668
Net current assets	1,182,324	–	(4,000)	1,178,324
Total assets less current Liabilities	2,374,393	–	(4,000)	2,370,393
Capital reserves				
Accumulated profits	516,262	–	(4,000)	512,262

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

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

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 2021

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases and finance leases are removed for leasee accounting, and is replaced by a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitment of HK$17,314,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payment under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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 Directors 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.

3. Revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000*	Property development *HK$'000*	Property management *HK$'000*
Types of goods or services						
Sale of handsets and IOT Terminals	829,868	–	–	–	–	–
Own-branded products manufacturing	–	154,112	–	–	–	–
EMS	–	407,507	–	–	–	–
Sale of goods to vending machine customers and franchisees	–	–	284,527	–	–	–
Equipment finance lease service	–	–	294	–	–	–
Procurement agency service	–	–	34,101	–	–	–
Sale of intelligent manufacturing products	–	–	–	142,465	–	–
Sale of properties	–	–	–	–	409,389	–
Property rental	–	–	–	–	–	49,967
Total	829,868	561,619	318,922	142,465	409,389	49,967
Timing of revenue recognition						
At point in time	829,868	499,241	318,628	142,465	409,389	N/A
Over time	–	62,378	–	–	–	N/A
Total	829,868	561,619	318,628	142,465	409,389	N/A

Geographical markets

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

(ii) Performance obligations for contracts with customers

Sale of handsets and IOT terminals, own-branded products manufacturing, sale of goods to vending machine customers and franchisees and sale of intelligent manufacturing products

For the sale of handsets and IOT terminals, own-branded products manufacturing, sale of goods to vending machine customers and franchisees and sale of intelligent manufacturing products, revenue is recognised when control of the goods is transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of usage, distribution and price to sell the goods, or has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0-90 days upon delivery.

EMS

The EMS are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced, except for the sale of certain materials as owned by the Group to the customer for use in the EMS, which is recognised at a point in time upon the transfer of control of the goods to the customer during the year. The normal credit term is 0 – 90 days.

Procurement agency service

In the provision of procurement agency service, revenue is recognised when the agency service has been completed, being when the goods have been shipped to the customer's specific location (delivery). The normal credit term is 0-90 days.

Sales of properties

Revenue from sales of properties is recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sale of handsets and IOT terminals, own-branded products manufacturing, EMS, sale of goods to vending machine customers and franchisees, procurement agency service, sale of intelligent manufacturing products and sale of properties are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follow:

	2017
	HK$'000
Sale of handsets and IOT terminals	1,076,853
Sale of EMS	1,454,923
Sale of goods to vending machine customers and franchisees	299,749
Finance lease of equipment	1,965
Procurement agency service	17,228
Sale of intelligent manufacturing products	101,428
Sale of residential properties	306,371
	3,258,517

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 or services delivered or provided.

During the year ended 31 December 2018, the Group was organised into six (2017:five) reportable and operating segments, being handsets and IOT terminals business, EMS business, IOT system and O2O business, intelligent manufacturing business, property development and property management (2017: handsets and IOT terminals business, wireless communication modules business, IOT system and O2O business, intelligent manufacturing business and property development).

During the year, property management has been regarded as a reportable segment of the Group. Property management is principally leasing various investment properties of the Group, including office premises and factories, to customers in the PRC under operating leases.

As a result of the changes to reportable segments and segment presentation, the segment revenue and result and segment assets and liabilities as at 31 December 2017 have been re-presented to conform to the revised presentation. Segment profit of the property management segment for the year ended 31 December 2017 amounting to HK$27,059,000, including segment revenue amounting to HK$28,187,000 and changes in fair value of investment properties amounting to HK$9,565,000 are reclassified from "other income and other gains and losses"; and segment expenses amounting to HK$10,693,000 in aggregate are reclassified from corporate expenses; segment assets and liabilities under the property management segment as at 31 December 2017 are reclassified from "unallocated assets" and "unallocated liabilities", respectively, under the revised segment reporting.

The Group has changed its segment name from "wireless communication modules business" to "EMS" during the year ended 31 December 2018. However, the underlying business of the segment is same as prior year.

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

For the year ended 31 December 2018

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000* *(Note)*	Property development *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Revenue							
External sales	**829,868**	**561,619**	**318,922**	**142,465**	**409,389**	**49,967**	**2,312,230**
Segment (loss) profit	**(4,922)**	**401,048**	**(18,765)**	**983**	**(27,402)**	**30,318**	**381,260**
Other income and other gains and losses							**(51,619)**
Share of results of associates							**770**
Corporate expenses							**(24,522)**
Finance costs							**(6,243)**
Profit before taxation							**299,646**

For the year ended 31 December 2017 (re-presented)

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000* *(Note)*	Property development *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Revenue							
External sales	1,076,853	1,454,923	318,942	101,428	306,371	28,187	3,286,704
Segment profit (loss)	26,394	57,478	(9,188)	(12,453)	34,543	27,059	123,833
Other income and other gains and losses							43,555
Share of results of associates							(1,527)
Corporate expenses							(18,075)
Finance costs							(8,990)
Profit before taxation							138,796

Note: The IOT system and O2O business is still at a developing stage. 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 interest income, unallocated exchange gain or loss, loss on disposal of property, plant and equipment, fair value change on financial assets at FVTPL, certain other income, corporate expenses, share of results of associates, finance costs and taxation (2017: without allocation of interest income, unallocated exchange gain or loss, loss on disposal of property, plant and equipment, gain on disposal of an associate, fair value change on derivative financial instruments, certain other income, 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.

Segment assets and liabilities

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

At 31 December 2018

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000* *(Note)*	Property development *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Segment assets	**703,120**	**395,041**	**154,458**	**179,853**	**46,633**	**511,633**	**1,990,738**
Property, plant and equipment							**92,142**
Land use rights							**41,123**
Deferred tax assets							**44,606**
Entrusted loan receivables							**25,946**
Interests in associates							**3,044**
Equity instruments at FVTOCI							**39,149**
Financial assets at FVTPL							**18,278**
Amounts due from non-controlling shareholders of subsidiaries							**4,496**
Amount due from an associate							**4,400**
Other receivables, deposits and prepayments							**2,756**
Pledged bank deposits							**57,557**
Bank balances and cash							**647,776**
Consolidated assets							**2,972,011**
Segment liabilities	**336,631**	**79,927**	**22,067**	**44,252**	**25,538**	**7,517**	**515,932**
Other payables, deposits received and accruals							**7,622**
Bank borrowings							**83,887**
Tax payable							**43,931**
Deferred tax liabilities							**98,200**
Consolidated liabilities							**749,572**

At 31 December 2017 (re-presented)

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000* *(Note)*	Property development *HK$'000*	Property management *HK$'000*	Consolidated *HK$'000*
Segment assets	891,788	653,297	153,196	214,891	554,350	419,931	2,887,453
Property, plant and equipment							76,656
Land use rights							35,135
Deferred tax assets							47,339
Entrusted loan receivables							36,150
Interests in associates							2,274
Available-for-sale investment							80,253
Consideration receivable							2,456
Amounts due from non-controlling shareholders of subsidiaries							11,633
Amount due from an associate							3,200
Other receivables, deposits and prepayments							639
Pledged bank deposits							30,125
Bank balances and cash							417,092
Consolidated assets							3,630,405
Segment liabilities	506,278	174,713	15,699	84,328	397,630	4,362	1,183,010
Other payables, deposits received and accruals							2,857
Bank borrowings							84,104
Tax payable							37,992
Deferred tax liabilities							99,151
Consolidated liabilities							1,407,114

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

- all assets are allocated to reportable and operating segments other than certain property, plant and equipment, certain land use rights, pledged bank deposits, bank balances and cash, entrusted loan receivables, interests in associates, equity instruments at FVTOCI, financial assets at FVTPL, consideration receivable, deferred tax assets, certain other receivables, deposits and prepayments and amounts due from non-controlling shareholders of subsidiaries and an associate (2017: certain property, plant and equipment, certain land use rights, pledged bank deposits, bank balances and cash, entrusted loan receivables, interests in associates, available-for-sale investment, consideration receivable, deferred tax assets, certain other receivables, deposits and prepayments and amounts due from non-controlling shareholders of subsidiaries and an associate). 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 IOT system and O2O business, intelligent manufacturing business, property development and property management, the remaining liabilities jointly consumed by reportable and operating segments are allocated between handsets and IOT terminals and EMS business and corporate liabilities. Corporate liabilities include certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities (2017: include certain other payables, accruals, tax payable, bank borrowings and deferred tax liabilities).

Other segment information

For the year ended 31 December 2018

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000*	Property development *HK$'000*	Property management *HK$'000*	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	31,219	8,990	7,515	766	–	–	28	48,518
Additions of intangible assets	130,933	8,493	85	56,633	–	–	–	196,144
Depreciation of property, plant and equipment	21,829	10,941	3,798	2,389	37	1,798	7,000	47,792
Amortisation of intangible assets	105,814	8,978	1,273	42,088	–	–	–	158,153
Amortisation of land use rights	496	707	116	55	–	223	1,332	2,929
Impairment loses on trade receivables recognised in profit or loss	(1,098)	–	–	–	–	–	–	(1,098)
Impairment loses on entrusted loan receivables recognised in profit or loss	–	–	–	–	–	–	8,314	8,314
Impairment loses on other receivables recognised in profit or loss	–	–	–	–	–	–	3,615	3,615
Impairment loses on consideration receivables recognised in profit or loss	–	–	–	–	–	–	2,456	2,456
Allowance of inventories	10,547	–	–	6,660	–	–	–	17,207
Write-off of inventories	–	71,022	–	–	–	–	–	71,022
Loss (gain) on disposal of property, plant and equipment	2,334	131	19	8	(145)	–	5	2,352
Change in fair value of investment properties	–	–	–	–	–	7,665	–	7,665

For the year ended 31 December 2017 (re-presented)

	Handsets and IOT terminals business *HK$'000*	EMS business *HK$'000*	IOT system and O2O business *HK$'000*	Intelligent manufacturing business *HK$'000*	Property development *HK$'000*	Property management *HK$'000*	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	40,437	9,239	1,170	2,142	–	–	46	53,034
Additions of intangible assets	85,313	78,408	803	41,410	–	–	–	205,934
Depreciation of property, plant and equipment	28,938	9,487	3,829	2,391	163	1,756	5,144	51,708
Amortisation of intangible assets	90,497	42,034	4,134	39,677	–	–	–	176,342
Amortisation of land use rights	924	914	152	34	–	218	869	3,111
Net reversal of allowance for bad and doubtful debts	(854)	–	–	–	–	–	–	(854)
Reversal of allowance of inventories	(11,706)	–	–	–	–	–	–	(11,706)
Loss on disposal of property, plant and equipment	1,035	32	642	127	–	–	–	1,836
Change in fair value of investment properties	–	–	–	–	–	9,565	–	9,565

Geographical information

The Group's revenue and non-current assets are substantially generated from and 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

	2018 *HK$'000*	2017 *HK$'000*
Refund of Value Added Tax ("VAT")	**8,478**	9,652
Government grants	**19,933**	22,863
Interest income earned on bank balances	**6,408**	4,693
Interest income earned on entrusted loan receivables	**907**	7,021
Rental income (Less: outgoings of HK$nil (2017: HK$2,661,000))	**–**	25,526
Dividend income from available-for-sale investment	**–**	171
Dividend income from equity instruments at FVTOCI	**216**	–
Dividend income from financial assets of FVTPL	**142**	–
Others	**–**	3,810
	36,084	73,736

6. Other gains and losses

	2018	2017
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**(2,352)**	(1,836)
Net foreign exchange (loss) gain	**(46,156)**	30,223
Changes in fair values of investment properties	**7,665**	9,565
Net gain from disposal of subsidiaries	**519,135**	118
Fair value change on derivative financial instruments-forward contracts	**–**	(9,982)
Fair value change on financial assets at FVTPL	**(5,486)**	–
Gain on disposal of an associate	**–**	8,736
Others	**11,015**	–
	483,821	36,824

7. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interests on bank borrowings	**6,243**	8,990

8. Taxation

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT")	**(83,753)**	(18,673)
Land appreciation tax in the PRC	**(7,858)**	(5,797)
Overprovisions on PRC LAT in previous years	**9,834**	–
	(81,777)	(24,470)
Deferred tax expense for current year	**(2,830)**	(11,720)
Taxation for the year	**(84,607)**	(36,190)

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

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

9. Profit for the year

	2018	2017
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	**2,200**	2,200
Amortisation of intangible assets (included in cost of sales)	**158,153**	176,342
Less: Amount capitalised in development costs	**(1,787)**	(1,085)
Less: Amount capitalised in inventories	**(156,366)**	(175,257)
	–	–
Amortisation of land use rights	**2,929**	3,111
Depreciation of property, plant and equipment	**47,792**	51,708
Less: Amount capitalised in development costs	**(5,060)**	(3,279)
Less: Amount capitalised in inventories	**(28,427)**	(29,769)
	14,305	18,660
Allowance/(reversal of allowance) of inventories (included in cost of sales)	**17,207**	(11,706)
Write-off of inventories (included in other expenses) (note 14(c))	**71,022**	–
Costs of inventories recognised as an expense (included in cost of sales)	**1,678,326**	2,621,764
Costs of properties sold (included in cost of sales)	**430,739**	241,542
Cost of manufacturing services (included in cost of sales)	**26,274**	–
Staff costs:		
Directors' emoluments	**4,021**	5,354
Other staff costs		
– Salaries and other benefits	**250,621**	252,206
– Retirement benefits scheme contributions	**48,481**	49,172
– Share-based payments	**–**	1,282
	303,123	308,014
Less: Amount capitalised in development costs	**(108,146)**	(119,998)
Less: Amount capitalised in inventoies	**(28,494)**	(29,621)
	166,483	158,395

10. Dividends

During the year, (i) a final dividend of HK1.6 cents (2017: HK1 cent) per share in respect of the year ended 31 December 2017; and (ii) a special dividend of HK4 cents (2017: nil) per share were declared and paid to the owners of the Company. The aggregate amount of the final and special dividends declared and paid in the current year amounted to HK$143,335,000.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$40,953,000 HK1.6 cents per share).

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:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**238,012**	111,651

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,550,703**	2,558,338
Effect of dilutive potential ordinary shares – share option	**–**	4,756
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,550,703**	2,563,094

For the year ended 31 December 2018, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options because the exercise prices of these share options were higher than the average market price for shares for the year.

12. Trade and notes receivables

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

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

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
0-30 days	**131,229**	181,821
31-60 days	**30,168**	55,644
61-90 days	**15,054**	25,079
91-180 days	**24,846**	14,633
Over 180 days	**21,769**	47,859
	223,066	325,036
Less: Accumulated allowances	**(24,031)**	(22,455)
Trade receivables	**199,035**	302,581
Notes receivables *(Note)*		
0-30 days	**25,008**	35,172
31-60 days	**828**	–
61-90 days	**958**	1,514
91-180 days	**4,756**	4,941
Over 180 days	**914**	-
	32,464	41,627
	231,499	344,208

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 provision of ECL 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 is presented based on the invoice date for trade payables or date of issuance for notes payables is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**63,336**	279,846
31-60 days	**39,466**	9,114
61-90 days	**51,477**	2,076
Over 90 days	**25,172**	63,551
	179,451	354,587
Notes payables		
0-30 days	**5,371**	39,163
	184,822	393,750

14. Disposal of subsidiaries

(a) During the year ended 31 December 2015, the Group disposed of its 60% equity interest in 上海鼎希物聯網科技有限公司 Shanghai Dingxi Internet of Things Technology Limited ("Shanghai Dingxi") at a total consideration of RMB4,000,000 (equivalent to approximately HK$5,000,000) to the non-controlling shareholder ("Purchaser") of Shanghai Dingxi ("Dingxi Disposal"). The consideration was to be satisfied by cash, of which (i) the first instalment of RMB1,200,000 to be settled at the date of the completion of the Dingxi Disposal; (ii) the second instalment of RMB600,000 to be settled on the 90th day of the date of the completion of the Dingxi Disposal; and (iii) the final instalment of RMB2,200,000 to be settled at the third anniversary date of the date of completion of the Dingxi Disposal. The settlement date of final instalment of RMB2,200,000 could be delayed to the sixth anniversary date of the date of completion of the Dingxi Disposal at the discretion of the Purchaser. Fair value of the consideration receivable is estimated by using discounted cash flow method with imputed interest rate of 7.345% per annum at initial recognition and subsequently measured at amortised cost. As at 31 December 2017, the unsettled consideration of RMB2,038,000 (equivalent to approximately HK$2,456,000) was recorded as consideration receivable in the consolidated statement of financial position.

As at 31 December 2018, the consideration receivables amounting RMB2,038,000 (equivalent to approximately HK$2,456,000) was past due. The directors of the Company considered such consideration receivables as credit impaired. Allowance for credit loss of HK$2,456,000 was recognised on the consideration receivables.

(b) During the year ended 31 December 2017, the Group entered into sale and purchase agreements with a few independent third parties to dispose of the share capital of certain subsidiaries held by the Group. The aggregate considerations were HK$3,447,000 in cash. The disposals of the subsidiaries were all completed in 2017.

	HK$'000
Aggregate considerations received:	
Cash received	3,447

	HK$'000
Analysis of aggregate assets and liabilities over which control was lost:	
Property, plant and equipment	153
Inventories	1,967
Trade and other receivables	8,518
Trade and other payables	(6,927)
Bank balances and cash	870
Net assets disposed of	4,581
Loss on disposal of subsidiaries:	
Considerations received	3,447
Net assets disposed of	(4,581)
Non-controlling interests	1,252
Gain on disposal	118
Net cash inflow arising on disposal:	
Cash considerations	3,447
Less: Bank balances and cash disposed of	(870)
	2,577

(c) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party under which the Group had conditionally agreed to dispose of two wholly-owned subsidiaries, namely Shanghai Simcom Electronic Limited and Simcom Wireless (collectively referred to as the "Target Companies") in relation to wireless communication modules business at a total consideration of approximately RMB518,000,000 (equivalent to approximately HK$644,664,000) (the "Disposal"). The Disposal was completed in the year ended 31 December 2018 in which the Group lost controls in the Target Companies.

	HK$'000
Aggregate consideration received:	
Cash received	644,664

Analysis of aggregate assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	6,241
Intangible assets	70,642
Deferred tax assets	1,660
Inventories	12,783
Trade and other receivables	51,515
Bank balances and cash	45,742
Trade and other payables	(56,629)
Deferred tax liabilities	(5,783)
Net assets disposed of	126,171
Gain on disposal of subsidiaries:	
Considerations	644,664
Net assets of the Target Companies disposal of	(126,171)
	518,493
Net cash inflow arising on disposal:	
Cash received	644,664
Less: Bank balances and cash disposed of	(45,742)
Deposit received in prior year	(62,419)
	536,503

During the year, the Group has incurred professional fees of approximately HK$2,927,000, additional staff bonus of approximately HK$12,460,000, redundancy cost of approximately HK$4,090,000 and inventories write off of approximately HK$71,022,000, which are included in other expenses. EIT on capital gain from the Disposal was approximately HK$64,395,000. In the opinion of the Directors, these expenses are in relation to the Disposal.

(d) During the year ended 31 December 2018, the Group entered into a sale and purchase agreements with a few independent third parties to dispose of the share capital of certain subsidiaries held by the Group. The aggregate considerations were HK$12,271,000 in cash. The disposals of the subsidiaries were all completed in 2018.

The consideration was to be satisfied by cash, of which in the disposal of Hangzhou Kawo Automation Technology Co., Limited, Dongguan New Road Mark Automation Technology Co., Ltd and 上海博申自動售貨機有限公司 (the "three Disposals"), (i) consideration of approximately HK$2,874,000 was settled during the year; (ii) consideration of RMB4,028,000 are expected to be settled in 2019; (iii) annual instalment of RMB600,000 to be settled at the year end date of each anniversary year from 2020 to 2026. Considerations included discounted interest rate of 7% per annum at initial recognition. As at 31 December 2018, the unsettled consideration of RMB8,228,000 (equivalent to approximately HK$9,397,000) was recorded as consideration receivable in the consolidated statement of financial position.

	HK$'000
Aggregate considerations received/receivable:	
Cash received	2,874
Consideration receivable within one year	4,601
Consideration receivable in more than one year	4,796
Total consideration received/receivable	12,271
Analysis of aggregate assets and liabilities over which control was lost:	
Property, plant and equipment	10,982
Deferred tax assets	805
Inventories	7,130
Trade and other receivables	17,817
Bank balances and cash	2,686
Trade and other payables	(23,329)
Net assets disposed of	16,091
Net gain on disposal of subsidiaries:	
Considerations received and receivables	12,271
Net assets disposed of	(16,091)
Non-controlling interests	4,462
Net gain on disposal	642
Net cash inflow arising on disposal:	
Cash considerations	2,874
Less: Bank balances and cash disposed of	(2,686)
	188

SPECIAL DIVIDEND AND FINAL DIVIDEND

The Board is pleased to announce that at the Board meeting held on Thursday, 21 March 2019, the Board has resolved to declare a special dividend (the "Second Special Dividend") of HK1cent per Share, amounting to approximately HK$25.0 million in total.

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 determining shareholders' entitlement to receive the Second Special Dividend:

Closure dates of Register of Shareholders (both days inclusive)	11 April 2019 (Thursday) to 15 April 2019 (Monday)
Latest time to lodge transfers	4:30pm on 10 April 2019 (Wednesday)
Record date	15 April 2019 (Monday)
Second Special Dividend payment date	30 April 2019 (Tuesday)

For determining shareholders' right to attend and vote at the forthcoming annual general meeting of the Company ("AGM"):

Closure dates of Register of Shareholders (both days inclusive)	3 June 2019 (Monday) to 6 June 2019 (Thursday)
Latest time to lodge transfers	4:30pm on 31 May 2019 (Friday)
Record date	6 June 2019 (Thursday)
AGM	6 June 2019 (Thursday)

During the periods of the closure of Register of Shareholders, no share transfers will be registered. For registration, all transfer documents 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 before the relevant latest time to lodge transfers.

ANNUAL GENERAL MEETING

The AGM will be held at 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 6 June 2019. 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 2018, operation was difficult for companies involved in real economic activities in China as a result of the unfavourable domestic and external economic environment. The different business segments of the Group thus experienced some tough times. During the Year, the Group made a revenue of HK$2,312.2 million, representing a 29.0% decrease when compared with last year. Gross profit decreased by 55.2% year-on-year to HK$176.9 million, mainly attributable to the disposal of the modules business and change of the original business model to providing EMS, which resulted in a substantial drop in revenue and gross profit during the Year. However, with the gain from the disposal of the modules business, the Group recorded net profit of HK$215.0 million representing an increase of 109.6% against last year. Excluding the impact of the disposal, except for the intelligent manufacturing business which recorded some profit, all of the Group's core businesses incurred loss during the Year.

Handsets and IOT terminals business

In 2018, revenue of handsets and IOT terminals business segment amounted to HK$829.9 million, representing a decline by 22.9% year-on-year. Gross profit was HK$73.3 million, representing a decrease of 46.3% when compared with last year. Gross profit margin also shrank by 3.9% year-on-year to 8.8%. The decline in revenue and gross profit was the result of unexpected situations experienced by upstream suppliers during the Year and in turn the Group was unable to deliver on some major projects on time. Costs also went up as the Group had to turn to new suppliers for some raw materials.

Overall, the terminals business has shifted its weight towards IOT/industrial application terminals business during the Year. IOT and industrial terminals business now accounts for an important proportion of the segment's revenue and gross profit. The Group designs and produces various intelligent terminals for customers to use in, e.g. scanning, mobile point-of-sale, vehicles terminals, intercom network terminals, encryption, augmented reality glasses and smart bracelets and watches, among others. The products are highly recognized by high-end customers in Europe, the US and Japan, who have significantly contributed to the sales, shipment volumes and gross profit of this business segment.

After a decade of rapid growth, the smartphone market in developed countries and certain developing countries (e.g. China) has become saturated with little room to grow. What is left for smartphone brands to pursue the replacement demand. Since 2018, handset consumption has seen negative growth worldwide with shipment volume declining amid fierce market competition. In the end of the Year, China's real economy encountered unprecedented challenges, with many consumer handset businesses collapsing, thereby seriously affecting raw material suppliers in the handset supply chain. With the capital flow disrupted, many raw material plants were unable to make delivery and some even stopped operation.

Although the Group's application terminals are not involved to a large extent in the consumer handset market, with a supply chain catering heavily to the consumer handset sector, the Group had difficulty securing the raw materials it requires to produce different products. The Group was thus unable to deliver a large number of customer orders on time, and as such saw notable reduction in both annual shipment volumes and sales when compared with 2017. During the Year, the supply chain market was in chaos, with capacitor and memory chip prices rocketing and sometimes, with no supply at all. The Group, affected by its original suppliers failing to deliver the materials it needed, had to turn to other channels and acquire more expensive materials. All these put together pushed up raw material costs of terminals products considerably and the Group's gross profit fell short of earlier projection as a result.

Looking forward to 2019, with the overall operating environment overshadowed by the Sino-US trade conflict and slowing economies, the Group expects to see further consolidation of handset brands and models and market competition will become more intense for manufacturers. Therefore, 2019 will be ridden with uncertainties. Collapses will be likely in the supply chain and some customers of the Group may face capital and operating risks. In conclusion, the operating environment in 2019 will be tougher still, stifling consumption and investment activities to some extent.

Despite the foregoing, the Group has on hand ample R&D contracts and product orders. The row between China and the US as well as the industry reshuffling are also working in its favor in securing new quality customers and projects overseas. There is therefore cause for optimision.

In 2019, bearing in mind the need to keep operating and customer risks in check, the application terminals will step up adjusting and strengthening its supply chain management capability to ensure the quality and timely delivery of existing orders. Furthermore, it will expand sales channels in the IOT/industrial application market in Europe, the US and Japan, so that it will be able to secure more new and high quality IOT/industrial application customers while providing more diverse products and services to existing customers.

EMS business

This business segment, a wireless communication modules business that was started in 2017, underwent transformation in 2018 and is focusing on provision of EMS now. The segment achieved revenue of HK$561.6 million in 2018, representing a decrease of 61.4% when compared with last year. Gross profit was down by 96.1% year-on-year to HK$4.9 million and gross profit margin also shrank notably. In the first quarter of 2018, the Group completed the disposal of the wireless communication modules business and the original brand manufacturer ("OBM") business model was replaced by the EMS operation model. In August 2018, Shenzhen Sunsea Communication Technology Co., Ltd. ("Shenzhen Sunsea") established its own supply chain team and started procurement of various materials by itself. Hence, materials procured on its behalf by the Group reduced. As, according to international accounting standards, incomes derived from different business models are required to be recognized differently, the procurement made by the Group on behalf of another operation is not counted towards its revenue, thus the turnover of the segment for the Year nose-dived. But, on the other hand, the Group will no longer have to bear the huge costs and operating risks associated with the R&D team. Moreover, with the bike sharing market turning for the worse, modules business volume also decreased.

In terms of profit, disposal of the modules business brought handsome profit to the Group, but not without a price. Having to make appropriate arrangements for staff and incurring losses from slow-selling inventory (markedly larger than expected a year ago before Shenzhen Sunsea had started independent procurement), the Group's gross profit was squeezed. Excluding the non-recurring impact of the business disposal, EMS business still contributed reasonable profit to the Group in 2018.

In 2019, the Group will cooperate with Shenzhen Sunsea via the EMS business model and it expects to derive a total turnover smaller than that in 2018. However, the Group is confident of its EMS capability as its factories boast a superior level of automation and intelligence and its quality control system is also top-notch in the industry. The Group will focus on exploring new customers bases and new processing product categories in the coming year to compensate for the drop in turnover and gross profit resulting from transformation of the modules business.

IOT system and O2O business

In 2018, this business segment continued to record loss. The loss stemmed mainly from settling of some fundamental issues in relation to the winding down of the cloud service platform of the offline automatic vending machine business. Regarding the segment, the management is of the opinion that, while new retailing is a hot area for IOT applications, offline business is not a suitable focus for the Group compared with online business as the latter matches the Group's strengths, requires smaller investment and has easier risks to control. Online business is therefore a healthier choice for the Group to delve in.

Looking ahead, in 2019, the Group will steadfastly develop and expand its online business. Taking into account the various types of IOT intelligent terminals it offers and heeding the application needs of the different terminals markets, the Group will strengthen the design and R&D of its data platform, so that it may provide "cloud" system solutions and services to customers.

Intelligent manufacturing business

Turnover of this business segment amounted to HK$142.5 million in 2018, representing a surge of 40.5% when compared to that of last year. Gross profit rose by 2.7% year-on-year to HK$40.3 million, whereas gross profit margin dropped.

The turnover and profit of the business are mainly driven by the industrial robot products capable of automated testing of printed circuit board assembly. In 2018, the revenue attributable to the robot products with automated testing functions increased and a profit was successfully made. In particular, the robot products' superb quality, affordability and stellar reputation have enabled the Group to serve three of the leading handset brands in China. The robot products have been able to capture a certain share of the market.

As for non-standard equipment business, the Group's plan at the beginning of the Year was to provide customised automated equipment to a famous handset raw material supplier. However, after the first set of equipment had been delivered, the supplier was not able to secure orders from its handset brand customers as expected and it cancelled the order for few-dozen sets of the equipment it originally wanted to buy eventually. As the Group had made huge investment in developing the equipment, it inevitably incurred serious loss. Such loss was the main reason for the profit and overall contribution of the segment falling short of expectation despite the notable revenue growth it managed to achieve.

Although it is clear to the Group that its machine vision and Artificial Intelligence ("AI") product line and intelligent IOT product line have huge value for its customers, they are still in investment stage requiring optimisation and marketing support. They generated a relatively small turnover and their overall contribution to this business segment was also small for the Year.

In 2019, although the demand for robotic and intelligence transformation remains strong, the operating environment will continue to be tough for the manufacturing industry. Enterprises will be more conservative with making investment. Given that the automated testing robot market is near saturation, the Group's next focus will be exploring new products and markets. The Group expects the product line to still generate profit. On the other hand, the Group has halted related investment for the non-standard equipment business. In 2019, the machine vision and AI product line, the intelligent IOT product line, are expected to bring profit. The dedicated efforts made by the Group in the past few years have paid off and it has built up a strong technological know-how and a solid customer base. Hence, for the Group, 2019 will be a year full of both opportunities and challenges.

Property development

As at 31 December 2018, "The Riverside Country"（晨興•翰林水郡）, in Shenyang City, the PRC, has a total of 1,842 residential units in all of its four phases, of which 1,827 units has been sold.

As at 31 December 2018, "Seven River in Sweet"（七里香溪）, in Taizhou City, the PRC, has a total of 748 residential units, 9 shops and 22 commercial units completed in all of its two phases, of which 747 residential units,7 shops and 22 commercial units have been sold and delivered to the buyers.

A significant amount of the above properties was sold and delivered to buyers in the year 2018, resulting in a significant increase in revenue to HK$409.4 million (2017: HK$306.4 million). Although the gross profit margin dropped to-5.2% (2017: 16.9%), a large portion of tax refund will be applied and confirmed in 2019.

Property management

For the year ended 31 December 2018, the revenue of property management was mainly derived from the leasing of SIM Technology Building Block A and Block B in Shanghai and factory units in Shanghai and Shenyang. A total area of approximately 41,000 square meters was leased out. To utilize our resources more efficiently, the Group is developing the property management business by leasing out the spare space at its factories and other buildings.

The revenue of property management for the year 2018 amounted to HK$50.0 million and the gross profit margin of leasing was 93.0%.

Prospects

Going forward, 2019 is expected to be an even more difficult year for the Group than the last and filled with uncertainties. The Group will adhere to the direction of vigorously developing the IOT/industrial application terminals business. It will push for steady growth, seek opportunities albeit adverse circumstances, and grasp development opportunities while keeping risks under good control.

Fortune favors the brave. With all staff members of the Group now embracing an entrepreneurial mindset, motivating themselves with pressure and making concerted efforts towards a common goal with determination and confidence, the management adamantly believes that although the external environment is hard, the Group will find rapid growth and triumph in adversity and ultimately establish itself as the industry leader.

FINANCIAL REVIEW

For the year ended 31 December 2018, the revenue from handsets and IOT terminals business, EMS business, IOT system and O2O business and intelligent manufacturing business ("Core Business") decreased by 37.2% to HK$1,852.9 million (2017: HK$2,952.1 million). The revenue from the sale of residential units in Shenyang and Taizhou, PRC amounted to HK$409.4 million (2017: HK$306.4 million). The Group has a new reportable and operating segment named as property management in 2018 which generated revenue from leasing of properties. In 2018, the revenue from leasing of properties in Shanghai and Shenyang, PRC was HK$50.0 million. The total revenue of the Group for the Year, included revenue of Core Business, properties development and properties management, amounted to HK$2,312.2 million (2017: HK$3,258.5 million).

The gross profit for Core Business of the Group for the Year decreased by 55.8% year-on-year to HK$151.8 million (2017: HK$343.5 million). The gross profit margin for Core Business decreased to 8.2% (2017: 11.6%). The overall gross profit margin of the Group for the Year was 7.7% (2017: 12.1%).

The Group achieved a profit attributable to owners of the Company which increased year-on-year by 113.2% to HK$238.0 million (2017: HK$111.7 million) for the Year. The basic earnings per share for the Year was HK9.33 cents (2017: HK4.36 cents).

Research and development expenses

In 2018, the Group mainly focused on the development of handsets and IOT terminals business. The number of design and development team members was 530 (2017: 840) in 2018. Total R&D expenses of the Group, which amounted to HK$52.2 million (2017: HK$90.6 million), represented 2.3% (2017: 2.8%) of the Group's revenue.

Selling and distribution costs

The selling and distribution costs of the Group for the Year decreased by 20.7% to HK$114.5 million (2017: HK$144.4 million). The ratio of the selling and distribution costs over revenue in 2018 was 4.9% (2017: 4.4%).

Administrative expenses

The Group's administrative expenses for 2018 decreased by 0.8% to HK$121.2 million (2017: HK$122.2 million), representing 5.2% (2017: 3.8%) of the revenue.

Segment results of core business

	Year ended 31 December 2018			Year ended 31 December 2017		
	Revenue *HK$'M*	**Gross profit** *HK$'M*	**Gross profit margin** *%*	Revenue *HK$'M*	Gross profit *HK$'M*	Gross profit margin *%*
Handsets and IOT terminals business	**829.9**	**73.3**	**8.8**	1,076.9	136.4	12.7
EMS business	**561.6**	**4.9**	**0.9**	1,454.9	127.7	8.8
IOT system and O2O business	**318.9**	**33.3**	**10.4**	318.9	40.2	12.6
Intelligent manufacturing business	**142.5**	**40.3**	**28.3**	101.4	39.2	38.7
Total	**1,852.9**	**151.8**	**8.2**	2,952.1	343.5	11.6

Handsets and IOT terminals business

The revenue of this segment decreased significantly year-on-year by 22.9% to HK$829.9 million (2017: HK$1,076.9 million) in 2018 due to the unexpected situations experienced by upstream suppliers and some major projects could not be delivered on time. In addition, replacement of some raw material suppliers added to the increase in cost of sales and the decrease in gross profit. The overall gross profit margin of this business segment decreased sharply to 8.8% (2017: 12.7%) for the Year. The revenue of ODM business contributed to approximately 88% of the revenue of this segment in 2018 (2017: 72%).

EMS business

On 21 December 2017, the Group entered into a sale and purchase agreement with an independent third party under which the Group has conditionally agreed to dispose of two wholly-owned subsidiaries, namely Shanghai Simcom Electronic Limited and Simcom Wireless (collectively referred to as the "Target Companies"), in relation to its wireless communication modules business (the Disposal as defined below). The disposal was completed and consideration was received in full during the Year, in which the Group lost control in the Target Companies. According to IFRSs, the gain from disposal of subsidiaries is HK$518.5 million. However, the Group has incurred professional fees of approximately HK$2.9 million, additional staff bonus of approximately HK$12.5 million, redundancy cost of approximately HK$4.1 million, inventories write-off of approximately HK$71.0 million and EIT on capital gain from the Disposal of approximately HK$64.4 million. As stated in the circular of the Company dated 18 January 2018, after deduction of these expenses, the actual net gain from the transactions contemplated under the sale and purchase agreement would be approximately HK$363.6 million. Please refer to the section of "Material Acquisition and Disposal of Subsidiaries and Associated Companies" in this announcement for further details of the Disposal.

Due to the completion of Disposal (the Disposal as defined below) in 2018, the business nature of this segment was changed from OBM to EMS provider. After the completion of Disposal (as defined below), the Group does not have to bear the R&D and sales expenses of the modules business, however the gross profit of EMS is lower than the OBM. In 2018, the revenue of this segment decreased year-on-year by 61.4% and the gross profit margin decreased to 0.9% (2017: 8.8%).

IOT system and O2O business

During the Year, the revenue of this segment stayed at HK$318.9 million (2017: HK$318.9 million). However, the gross profit margin decreased to 10.4% (2017: 12.6%). That was mainly due to the winding down of the cloud service platform of the offline automatic vending machine business and the Group had to deal with some historical problems and losses.

Intelligent manufacturing business

During the Year, due to the excellent quality, good reputation and reasonable price of the Group's automatic test robot products, favorable comments and a large number of orders were received. However, due to the unexpected failure to obtain the order in non-standard equipment business, serious losses were incurred. The loss is the main reason which caused the gross profit and gross profit margin to be less than expected even though the segment revenue increased significantly during the Year. The revenue for the Year of this segment increased by 40.5% to HK$142.5 million (2017: HK$ 101.4 million), while gross profit increased by 2.7%. The gross profit margin decreased to 28.3% (2017: 38.7%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2018, the Group had bank balances and cash of HK$647.8 million (31 December 2017: HK$417.1 million), among which 46.9% was held in Renminbi, 52.8% was held in US dollars and the remaining balance was held in Hong Kong dollars. As at 31 December 2018, the Group also had pledged bank deposits of HK$57.6 million (31 December 2017: HK$30.1 million) in Renminbi for the purpose of the Group's Renminbi 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 property, plant and equipment, investment properties, land use rights and notes receivables) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK$83.9 million as at 31 December 2018 (31 December 2017: HK$84.1 million), all of which was denominated in Renminbi. All of the bank borrowings were at floating interest rates and repayable within one year.

Operating Efficiency

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

	2018 ***Days***	2017 *Days*
Inventory turnover period	**121**	105
Trade and notes receivables turnover period	**55**	37
Trade and notes payables turnover period	**58**	48

In the Year, due to the significant decrease in sales volume, the purchase and cost of sales of the Group decreased significantly. The inventory turnover period thus increased as compared to that of year 2017.

The trade and notes receivable turnover period increased for the Year as compared to that of year 2017 due to the significant decrease in sales for the Year.

The trade and notes payables turnover period increased for the Year as compared to that of year 2017 due to the increased in average balance of trade and notes payables for the Year.

As at 31 December 2018, the current ratio, calculated as current assets over current liabilities, was 3.1 times (31 December 2017: 1.9 times).

The Group reckons that inventory turnover period, trade and notes receivables turnover period, and trade and notes payables turnover period help the Group to understand its ability to convert inventory into cash and sales and cash conversion cycle. Through reviewing the turnover periods, the Group can improve its operational efficiency. The current ratio can help the Group to understand its ability to pay short-term and long-term obligations.

Treasury Policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are mainly held under fixed and savings deposits in reputable banks to earn interest income.

Certain sales and purchases of inventories of the Group are denominated in US dollars. Furthermore, certain trade receivables, trade payables, bank balances and bank borrowings are denominated in US dollars, therefore exposing the Group to the currency risk of US dollars. As at 31 December 2018, 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 2018, the Company had 2,520,254,300 ordinary shares of HK$0.10 each in issue.

No shares of the Company has been issued during the Year.

CASH FLOW STATEMENT HIGHLIGHTS

	2018	2017
	HK$'million	*HK$'million*
Net cash from operating activities	**250.4**	380.2
Capital expenditure	**(45.6)**	(53.5)
Development costs	**(166.0)**	(201.1)
Net increase (decrease) in bank borrowings	**4.4**	(236.6)
Net decrease in entrusted loan receivables	–	76.6
Proceeds from disposal of property, plant and equipment	**5.5**	2.4
Net cash inflow on disposal of subsidiaries	**536.7**	–
Bank interest paid	**(6.2)**	(9.0)
Dividend paid	**(143.3)**	(25.6)
Repayment to non-controlling shareholders of subsidiaries	–	(35.6)
Deposits received from disposal of subsidiaries	–	62.4
Consideration received from disposal of an associate	–	10.1
(Decrease) increase in other liabilities	**(109.8)**	141.2
Purchase of license	**(26.2)**	–
Purchase of financial asset at FVTPL	**(25.9)**	–
Purchase of equity instruments at FVTOCI	**(7.5)**	–
Repurchase of shares	**(11.8)**	–
Others	**3.4**	9.9
Net increase in cash and cash equivalents (including pledged bank deposits)	**258.1**	121.4

GEARING RATIO

As at 31 December 2018, the total assets value of the Group was HK$2,972.0 million (31 December 2017: HK$3,630.4 million) and the bank borrowings was HK$83.9 million (31 December 2017: HK$84.1 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 2.8% (31 December 2017: 2.3%).

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 21 December 2017, the Company, Simcom International (an indirect wholly-owned subsidiary of the Company), Shenzhen Sunsea (a company listed on the Shenzhen Stock Exchange), Simcom Electronic and Simcom Wireless entered into the sale and purchase agreement ("Sale and Purchase Agreement") under which Simcom International has conditionally agreed to sell, and Shenzhen Sunsea has conditionally agreed to purchase, 100% of the equity interest of Simcom Wireless ("Disposal").

The transactions as contemplated under the Disposal have been completed during the year ended 31 December 2018.

On 23 May 2018, the Board has resolved to declare a special dividend of HK4 cents per Share, amounting to approximately HK$102.4 million in total, from the net proceeds of the Disposal. On 21 March 2019, the Board declared another special dividend in the aggregate amount of approximately HK$25.0 million from the net proceeds of the Disposal.

Further details of the Disposal are disclosed in the announcements of the Company dated 21 December 2017, 13 February 2018, 10 May 2018 and 23 May 2018 and the circular of the Company dated 18 January 2018.

Please refer to the section of "Special Dividend and Final Dividend" in this announcement for further details of the Second Special Dividend.

On 28 December 2018, 希姆通智能系統集成(上海)有限公司 (Shanghai Simcom System Limited*) ("Shanghai Simcom"), a wholly-owned subsidiary of the Company and Mr. Tang Yuanyi (唐元毅) ("Mr. Tang"), entered into a sale and purchase agreement, pursuant to which the Shanghai Simcom has agreed to sell 81.25% of its entire equity interests in 上海博申自動售貨機有限公司 (Shanghai Boshen Vending Machine Limited*) ("Shanghai Boshen") at the aggregate consideration of RMB6 million. On the same day, Shanghai Boshen, 上海雲貿物聯網科技有限公司 (Shanghai Yunmao IOT Limited*) ("Shanghai Yunmao"), a wholly-owned subsidiary of the Company and Mr. Tang entered into the instalment payment agreement in respect of the repayment of the aggregate sum of RMB9,588,566.68 by Shanghai Boshen to Shanghai Yunmao.

Further details of the above mentioned disposal are disclosed in the announcement of the Company dated 28 December 2017.

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

FUTURE PLANS FOR MATERIAL INVESTMENT

As stated in the circular of the Company dated 18 January 2018, the Group intends to use part of the net proceeds from the Disposal in the following manner:

– as to approximately HK$201.5 million for purchase of the land for the Group's operations centre in Dongguan, the PRC and the construction of the operation centre; and

– as to approximately HK$115.1 million for (a) upgrading the production facilities of the Group in Shanghai and the above operations centre and development of an automated intelligent 3D-warehouse; (b) further implementation of the digitizating, networking and intelligent processes by Industry 4.0; and (c) enhancing the competitiveness of the high-end handsets ODM (original design manufacturing) and EMS businesses.

Save as disclosed above, the Group did not have any plans for material investment or capital assets during the Year.

SIGNIFICANT INVESTMENT

As at 31 December 2018, the equity instrument at FVTOCI represented the Group's investment in 2.73% of the shares in Shanghai Guao Electronic Technology Co.,Ltd ("Shanghai Guao") ("Investment") and the Investment cost was approximately HK$13.5 million. During 2016, Shanghai Guao became listed on the ChiNext of the Shenzhen Stock Exchange. The fair value, based on the quoted market price, of the Investment at 31 December 2018 is approximately HK$38.6 million (31 December 2017: HK$80.3 million). The Group received dividends in the amount of HK$146,000 from Shanghai Guao during the Year. Shanghai Guao specializes in the research and development, manufacturing, marketing and service of innovative financial equipment. The Group noted the development strategy of Shanghai Guao as stated in its annual report for the year 2017 issued on April 2018, that Shanghai Guao will focus on new financial products based on its existing production system and technology reserve. Shanghai Guao will continue to develop its technology so as to improve its sales and after-sale service. Shanghai Guao will develop projects in relation to automated cash treatment.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 31 December 2018, the Group had approximately 1,760 (2017: 2,540) 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$303.1 million (2017: HK$308.0 million) during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 12 months ended 31 December 2018, the Company has repurchased 51,136,000 shares of the Company on the Stock Exchange. The repurchase shares were cancelled subsequently in August 2018, September 2018, October 2018, December 2018 and January 2019. Details of the repurchase were as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price paid (inclusive of related expenses)
	'000	*HK$*	*HK$*	*HK$'000*
July 2018	2,400	0.310	0.310	507
August 2018	3,420	0.300	0.300	688
September 2018	15,718	0.300	0.290	3,156
October 2018	7,040	0.300	0.295	1,446
November 2018	1,298	0.275	0.275	358
December 2018	21,260	0.315	0.295	6,480
	51,136			12,635

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

EVENTS AFTER THE REPORTING PERIOD

On 3 January 2019, Shenyang SIM Real Estate Limited ("SYRE"), a non-wholly owned subsidiary of the Company and 上海晨鈺投資有限公司 (Shanghai Chenyu Investment Limited*) ("Shanghai Chenyu"), entered into a loan agreement, pursuant to which SYRE shall provide a loan in the principal amount of RMB33 million to Shanghai Chenyu. The loan bears interest at the rate of 4.35% per annum and is repayable on 31 December 2019. Details of the above are disclosed in the announcement of the Company dated 3 January 2019.

Save as disclosed above, there have been no significant events of the Group since the end of the Year.

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 then prevailing 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 7 June 2018 ("2018 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 2018 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 2018 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 for 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 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 2018 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

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 and Mr Liu Jun, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Wang Tianmiao and Mr Wu Zhe.

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 March 2019

* *For identification purposes only*