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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 2014

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 2014 ("Year") together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December 2014 HK$'000 Audited	2013 HK$'000 Audited
Revenue	*3*	**2,352,353**	1,716,079
Cost of sales		**(2,051,264)**	(1,528,389)
Gross profit		**301,089**	187,690
Other income	*5*	**73,932**	71,070
Other gains and losses	*6*	**15,423**	(112,732)
Research and development expenses		**(144,177)**	(201,617)
Selling and distribution costs		**(101,582)**	(107,374)
Administrative expenses		**(85,911)**	(99,790)
Share of results of an associate		**–**	(1,033)
Finance costs	*7*	**(8,599)**	(2,392)
Profit (Loss) before taxation		**50,175**	(266,178)
Taxation (charge) credit	*8*	**(16,029)**	13,797
Profit (Loss) for the year	*9*	**34,146**	(252,381)
Profit (Loss) for the year attributable to:			
Owners of the Company		**23,967**	(239,198)
Non-controlling interests		**10,179**	(13,183)
		34,146	(252,381)
Earnings (Loss) per share (HK cents)	*11*		
Basic and diluted		**0.94**	(9.4)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December	
	2014	2013
	HK$'000	*HK$'000*
	Audited	Audited
Profit (Loss) for the year	**34,146**	(252,381)
Other comprehensive income (expense) for the year		
Items that may not be subsequently reclassified to profit or loss for the year:		
Exchange difference arising on translation to presentation currency	**(19,435)**	25,168
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	**27,753**	11,031
Deferred tax liabilities on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	**(6,938)**	(2,758)
	1,380	33,441
Total comprehensive income (expense) for the year	**35,526**	(218,940)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**27,184**	(207,407)
Non-controlling interests	**8,342**	(11,533)
	35,526	(218,940)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 *HK$'000* Audited	2013 *HK$'000* Audited
Non-current assets			
Investment properties		**363,850**	319,066
Property, plant and equipment		**467,294**	542,478
Land use rights		**100,154**	93,972
Intangible assets		**76,693**	48,281
Deferred tax assets		**47,556**	49,344
Finance lease receivables		**11,146**	–
Entrusted loan receivables		**–**	125,900
Interest in an associate		**1,694**	28,967
Available-for-sale investments		**16,875**	16,875
Deposits paid for acquisition of land use rights		**–**	16,065
		1,085,262	1,240,948
Current assets			
Inventories		**354,365**	196,806
Finance lease receivables		**7,661**	–
Properties under development for sale		**455,948**	483,710
Properties held for sale		**95,306**	22,932
Trade and notes receivables	*12*	**255,746**	228,356
Other receivables, deposits and prepayments		**249,897**	317,652
Entrusted loan receivables		**167,315**	–
Pledged bank deposits		**40,913**	80,776
Structured deposits		**41,441**	32,000
Bank balances and cash		**291,762**	255,440
		1,960,354	1,617,672
Asset classified as held for sale		**28,967**	–
		1,989,321	1,617,672
Current liabilities			
Trade and notes payables	*13*	**406,823**	321,937
Other payables, deposits received and accruals		**182,655**	250,703
Amount due to a non-controlling shareholder of a subsidiary		**35,140**	30,720
Bank borrowings		**318,960**	191,804
Tax payable		**7,758**	1,504
		951,336	796,668
Liability associated with asset classified as held for sale		**16,252**	–
		967,588	796,668
Net current assets		**1,021,733**	821,004
Total assets less current liabilities		**2,106,995**	2,061,952

	2014	2013
	HK$'000	*HK$'000*
	Audited	Audited
Capital and reserves		
Share capital	**255,750**	255,750
Reserves	**1,656,261**	1,625,197
Equity attributable to owners of the Company	**1,912,011**	1,880,947
Non-controlling interests	**86,443**	78,101
Total equity	**1,998,454**	1,959,048
Non-current liabilities		
Deferred tax liabilities	**61,401**	54,404
Deferred income	**47,140**	48,500
	108,541	102,904
	2,106,995	2,061,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and basis of preparation

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

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

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange and by the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to the those of the Hong Kong Companies Ordinance (Cap. 32), in accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Account and Audit", which are set out in sections 76 and 87 of Schedule 11 to that Ordinance.

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

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities"

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities" for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 "Offsetting financial assets and financial liabilities"

The Group has applied the amendments to IAS 32 "Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

The Group has applied the amendments to IAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 "Fair value measurements".

With the application of the amendments, the recoverable amounts of the CGU of sale of handsets and solutions and sale of display modules had not been disclosed in the consolidated financial statements.

Except as described above, the application of the other amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory deferral accounts[2]
IFRS 15	Revenue from contracts with customers[3]
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to IAS 1	Disclosure initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants[5]
Amendments to IAS 19	Defined benefit plans: Employee contributions[4]
Amendments to IAS 27	Equity method in separate financial statements[5]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to IFRS 10 IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception[5]

Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 cycle[6]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 "Financial instruments"

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

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

- All recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

IFRS 15 "Revenue from contracts with customers"

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

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

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

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

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

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

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

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

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

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss 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.

- New guidance has been introduced requiring that gains or losses resulting from those transactions 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 at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method 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 do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Group's consolidated financial statements.

Annual improvements to IFRSs 2010-2012 cycle

The Annual improvements to IFRSs 2010-2012 cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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

Annual improvements to IFRSs 2012-2014 cycle

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

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to IFRS 7 "Disclosure-offsetting financial assets and financial liabilities" issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 "Interim financial reporting".

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

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

3. Revenue

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

4. Segment information

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

During the year ended 31 December 2013, the Group was organised into four reportable and operating segments – sale of handsets and solutions, sale of display modules, sale of wireless communication modules and property development. In the current year, the Group started internet of things business. The new operation aims to provide customers from specific vertical industries with total system solutions encompassing backend software and terminal systems. The executive Directors considered this is a separate reportable and operating segment to the Group. These reportable and operating segments are the basis of the internal reports about components of the Group that are regularly reviewed by the executive Directors in order to allocate resources to segments and to assess their performance.

Segment revenue and results

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

For the year ended 31 December 2014

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

Notes:

(i) The Group has reduced the operation scale of this segment since the end of 2013. In 2014, this segment will continuously operate to procure display module products from external suppliers in order to meet the internal demand of the Group.

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

For the year ended 31 December 2013

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of gain from changes in fair values of investment properties, rental income, interest income, certain other income, corporate expenses, share of results of an associate, finance costs and taxation. This is the measure reported to the executive Directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

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

At 31 December 2014

	Sale of handsets and solutions *HK$'000*	Sale of display modules *HK$'000*	Sale of wireless communication modules *HK$'000*	Internet of things business *HK$'000*	Property development *HK$'000*	Consolidated *HK$'000*
Segment assets	**746,467**	**64,542**	**491,160**	**65,862**	**590,725**	**1,958,756**
Investment properties						**363,850**
Property, plant and equipment						**31,909**
Land use rights						**17,982**
Deferred tax assets						**47,556**
Entrusted loan receivables						**167,315**
Interest in an associate						**1,694**
Available-for-sale investments						**16,875**
Other receivables, deposits and prepayments						**65,563**
Pledged bank deposits						**40,913**
Structured deposit						**41,441**
Bank balances and cash						**291,762**
Asset classified as held for sale						**28,967**
Consolidated assets						**3,074,583**
Segment liabilities						
– attributable to sale of display modules	**–**	**75,506**	**–**	**–**	**–**	**75,506**
– attributable to internet of things business	**–**	**–**	**–**	**18,845**	**–**	**18,845**
– attributable to property development	**–**	**–**	**–**	**–**	**154,227**	**154,227**
– attributable to operating segment other than sale of display modules, internet of things business and property development *(note)*						**405,072**
						653,650
Other payables, deposits received and accruals						**18,108**
Bank borrowings						**318,960**
Tax payable						**7,758**
Deferred tax liabilities						**61,401**
Liability associated with asset classified as held for sale						**16,252**
Consolidated liabilities						**1,076,129**

Note: Liabilities attributable to reportable and operating segments other than sale of display modules, internet of things business and property development, the remaining liabilities are allocated to corporate liabilities. Corporate liabilities include certain other payables, deposits received and accruals, tax payable, bank borrowings and deferred tax liabilities.

At 31 December 2013

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

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

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

– all assets are allocated to reportable and operating segments other than investment properties, certain property, plant and equipment, certain land use rights, pledged bank deposits, structured deposit, bank balances and cash, deposits paid for acquisition of land use rights, entrusted loan receivables, interest in an associate, available-for-sale investments, deferred tax assets, certain other receivables, deposits and prepayments and asset classified as held for sale. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

– other than liabilities specifically identified for reportable and operating segments on sale of display modules, internet of things business and property development, the remaining liabilities are allocated between payables jointly consumed by reportable and operating segments on sale of handsets and solutions and sale of wireless communication modules and corporate liabilities. Corporate liabilities include certain other payables, deposits received and accruals, tax payable, bank borrowings, deferred tax liabilities and liability associated with asset classified as held for sale.

Other segment information

For the year ended 31 December 2014

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

For the year ended 31 December 2013

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

Revenue from major products

	2014 ***HK$'000***	2013 *HK$'000*
Sale of handsets and solutions	**1,511,532**	963,092
Sale of display modules	**14,590**	162,301
Sale of wireless communication modules	**557,309**	473,091
Internet of things business	**57,767**	–
Sale of residential properties	**211,155**	117,595
	2,352,353	1,716,079

Information about a major customer

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

	2014 ***HK$'000***	2013 *HK$'000*
Customer A *(note)*	**755,277**	484,272

Note: Customer A operates in the mobile phone technology industry in Taiwan.

Geographical information

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

5. Other income

	2014	2013
	HK$'000	*HK$'000*
Refund of VAT *(note)*	**4,410**	8,537
Government grants	**26,099**	28,296
Interest income earned on bank balances and structured deposit	**3,898**	4,091
Interest income earned on entrusted loan receivables	**12,417**	4,722
Rental income (Less: outgoings of HK$2,527,000 (2013: HK$2,394,000))	**25,269**	23,934
Others	**1,839**	1,490
	73,932	71,070

Note:

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

6. Other gains and losses

	2014	2013
	HK$'000	*HK$'000*
Gain (loss) on disposal of property, plant and equipment	**4,146**	(155)
Net foreign exchange gain	**174**	10,849
Changes in fair values of investment properties	**11,103**	2,436
Allowance for bad and doubtful debts	**–**	(23,663)
Impairment loss recognised in respect of property, plant and equipment	**–**	(96,502)
Impairment loss recognised in respect of intangible assets	**–**	(5,697)
	15,423	(112,732)

7. Finance costs

	2014	2013
	HK$'000	*HK$'000*
Interests on bank borrowings wholly repayable within five years	**8,599**	2,392

8. Tax (charge) credit

	2014	2013
	HK$'000	*HK$'000*
PRC EIT	**(10,104)**	(4,359)
Land appreciation tax in the PRC	**(3,167)**	(1,764)
Over (under) provisions on PRC EIT in previous years	**350**	(4,620)
	(12,921)	(10,743)
Deferred tax (charge) credit for current year	**(3,108)**	29,948
Deferred tax charge attributable to a change in tax rate	**–**	(5,408)
	(3,108)	24,540
Tax (charge) credit for the year	**(16,029)**	13,797

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

9. Profit (Loss) for the year

	2014	2013
	HK$'000	*HK$'000*
Profit (Loss) for the year is arrived at after charging (crediting):		
Auditor's remuneration	**1,950**	1,900
Amortisation of intangible assets (included in cost of sales)	**93,742**	115,252
Less: Amount capitalised in development costs	**(1,007)**	(1,059)
	92,735	114,193
Amortisation of land use rights	**2,960**	2,975
Depreciation of property, plant and equipment	**86,740**	94,165
Less: Amount capitalised in development costs	**(2,920)**	(1,575)
	83,820	92,590
(Reversal of allowance) write-down of inventories (included in cost of sales)	**(12,876)**	22,667
Costs of inventories recognised as an expense (included in cost of sales)	**1,878,441**	1,402,405
Costs of properties sold (included in cost of sales)	**166,823**	87,782
Staff costs:		
Directors' emoluments	**4,686**	7,917
Other staff costs		
– Salaries and other benefits	**254,085**	233,995
– Retirement benefits scheme contributions	**50,585**	52,310
– Share-based payments	**3,880**	4,795
	313,236	299,017
Less: Amount capitalised in development costs	**(94,365)**	(64,615)
	218,871	234,402

10. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 and 2013.

11. Earnings (Loss) per share

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

	2014	2013
	HK$'000	*HK$'000*
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to owners of the Company)	**23,967**	(239,198)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,557,499**	2,550,492
Effect of dilutive potential ordinary shares – share option	**2,227**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share.	**2,559,726**	2,550,492

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

12. Trade and notes receivables

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

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

	2014	2013
	HK$'000	*HK$'000*
Trade receivables		
0 – 30 days	**199,100**	198,543
31 – 60 days	**31,550**	13,377
61 – 90 days	**4,475**	1,392
91 – 180 days	**1,851**	1,582
Over 180 days	**35,987**	33,589
	272,963	248,483
Less: Accumulated allowances	**(32,877)**	(32,465)
	240,086	216,018
Notes receivables *(note)*		
0 – 30 days	**15,660**	12,338
	255,746	228,356

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

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

13. Trade and notes payables

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

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**273,817**	298,098
31 – 60 days	**35,162**	6,660
61 – 90 days	**6,489**	422
Over 90 days	**91,355**	16,757
	406,823	321,937

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting of the Company ("AGM"), the Company's register of members will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the attendance at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 pm on Friday, 29 May 2015.

THE AGM

The AGM will be held at Unit A, 29th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 3 June 2015. The notice of the AGM will be posted on the respective websites of the Company and the Stock Exchange and despatched to the Shareholders in due course.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2014 was an important year for the business transformation of the Group. The Group has formulated and implemented strategies to maintain the growth in its Original Design Manufacturer ("ODM") consumer handset business, and at the same time it has continued to enlarge the market share of its wireless communications modules business domestically and overseas. Besides, the Group has also actively expanded the industrial application terminals business and new businesses, including exploring opportunities in Internet of Things ("IOT") and the automated robotic business. In the past year, the Group has achieved results in its business positioning and development strategies, which has accelerated the future sustainable growth in and laid a solid foundation for the Group's overall business.

By adhering to the Group's handset ODM business strategies, the management has captured the opportunities arising from the transition from 3G to 4G in the handset industry. Thanks to the strong research and development ("R&D") capability and the unwavering efforts of all the staff, the Group has gradually seen the benefits of its strategic initiatives and made a turnaround from the loss recorded in the past two years. During the Year, the Group has recorded stable growth in turnover for its existing consumer handset business and expanded its cooperation with several new domestic and overseas customers. The Group has also benefitted from the mass production and delivery of several high-end ODM projects. As for the industrial application terminals, the Group has developed various industrial application terminals and IOT terminals, making shipments to South and North America, Europe and

Asian countries such as Japan and Korea, etc. Meanwhile, the Group's waterproof, dust-proof and shock-resistant handset project in collaboration with a branded company in the United States ("US") has obtained product certification from AT&T and the products have already been delivered to several operators in North America. During the Year, despite the aberrant and serious quality issues of certain core materials, the Group's handsets and solutions business still recorded relatively substantial growth.

Due to the increasing overseas demand for the Group's new 3G/4G products, the wireless communications modules business has set a new shipment record for the Year. In particular, the products' higher selling price and profit in Europe and the US as compared to those in the PRC has led to higher growth in the shipment, sales and gross profit for the Year. In addition, new businesses including IOT terminals and backend software application systems have also achieved considerable development progress. Apart from the smart vending machine which has been a key area of its development focus, the Group has also identified business opportunities in the fields of smart communities, retirement homes and the internet of vehicles, etc. The management believes robotic smart manufacturing will become a major trend for the manufacturing industry in the PRC. Thus the Group has increased its efforts in developing robotic smart manufacturing business and expected that such business will become one of the core drivers of the Group in the future. While most of the new business areas have yet to contribute to the Group's financial results, they have laid down a well-defined profitability model and potentials for replication, giving the Group a solid foundation for sustainable growth in its financial results.

Summarising the above factors, despite investing substantial resources in the new businesses, the Group still managed to achieve a turnaround to a profit in its overall businesses in the Year.

Handsets and solutions

The handset industry in the PRC in 2014 has seen a notable slowdown in the growth of production volume, a substantial change in the subsidy policy from the operators, a rapid change in 4G products and the continuous increase in the shipment of 4G handsets. Domestic handset manufacturers are exploring new ways of conducting business in the face of the new subsidy policy from the operators. Firstly, as the high-end market has been dominated by international brands, it is difficult for domestic handsets brands to capture a share. Turning to the mid-range-to-low-end markets, although the domestic brands have recorded high shipment volumes, they have been capturing market share by trading price for volume. Thus, a number of domestic handset manufacturers have adjusted the production lines to "raise the tier of the products (去低端化)" in order to enter the high-end market. Secondly, as the competition in the domestic smart phone market has reached its climax, a key strategic direction for domestic handset manufacturers in 2014 has been "going overseas" to expand the sales and marketing channels. Under the circumstances of reduction in subsidies from operators, instead of just safeguarding the operator channels, domestic handset manufacturers have turned to developing their own sales channels and focusing on both the open society and operator channels. They have also enhanced the e-commerce channels. Thirdly, boutique handset models produced by domestic brands are not uncommon in high-end handset models in 2014, demonstrating that domestic handset manufacturers have strengthened their efforts in product R&D, innovation capability and developed more sophisticated boutique models.

In 2014, the Group has adhered to its strategy of focusing on the quality ODM handset business and accelerating the development of industrial application terminals, which has allowed it to seize the opportunities arising from the transition from 3G to 4G in the handset industry. It has also developed high-end products and a quality customer base. Thanks to the strong R&D capability and the unwavering efforts of all the staff, the Group has gradually seen the benefits of its strategic initiatives and made a turnaround from the loss recorded in the past two years. During the Year, while the Group missed the opportunity to create an even greater growth in sales and gross profit owing to aberrant and serious quality issues of certain core materials, its handsets and solutions business nonetheless recorded relatively substantial growth.

In 2014, the existing consumer handset business has recorded steady growth in turnover and the Group has strengthened the cooperation with several domestic and overseas new customers. As for the overseas market, the Group is exploring some large and mid-size regional and global customers. The Group's ODM consumer handset business mainly targets customers in the high-end customised terminal markets in Europe, the America, Japan, etc. At the same time, the main promotion targets of the Group's "self-customised products" include markets in Europe, Central and South America, etc. The Group is sparing no effort to locate more quality customers both domestically and overseas, thereby laying a strong foundation for its business development next year.

With the advent of the 4G LTE era, the Group has started shifting its R&D investment in the handset business to 4G applications since last year. It has also cooperated with overseas customers in LTE projects and made shipments to South and North America, Europe and Asian countries such as Japan and Korea, etc. Currently, more than 90% of the Group's R&D resources are allocated to the development of 4G handsets and terminals. Thus, the Group has moved to the forefront of the industry in 4G development and product planning. During the Year, overall delivery volume of the handsets declined as compared to the corresponding period last year, but both sales and gross profit recorded a year-on-year increase. Such increase was mainly attributable to a year-on-year rise in the sales volume of high-end consumer handsets and industrial application terminals during the Year in contrast to a greater domestic sales volume of low margin products last year.

Benefitting from the demand trends of the IOT and the mobile office, the industry mobile terminal market is expected to grow steadily in the long run. In particular, due to the rising concern about information security, the government authorities, state-owned enterprises and larger private companies have gradually shifted to domestic suppliers and brands. Meanwhile, due to the increasing potential threat from terrorism, the demand for equipment designed for police and security applications is expected to see a stable growth in the short to medium term. Moreover, the demand for terminals has shown notable growth in the mobile payment and mobile Point-Of-Sale ("POS") industries in recent years. To tap the opportunities presented by these developments, the Group has successfully developed a number of industrial applications and IOT terminals in 2014. The Group's own branded mobile terminal products specially designed for use in logistics, fleet telematics, finance and medical care industries have gained success in both domestic and overseas markets. The Group has also cooperated with a branded company in the US to produce waterproof, dust-proof and shock-resistant handsets with an anti-explosion feature. Such products have obtained certification from AT&T and have already been delivered to customers. Besides, the Group is developing new handset version for another large telecom operator in the US, which is expected to be delivered in the first half of 2015.

Wireless communication modules

During the Year, the Group recorded growth in the overall delivery volume, revenue and gross profit of the wireless communication modules business. Such growth was attributable to the increase of varying degrees in demand in the domestic and overseas markets. The notable growth in demand for high-value 3G/4G products in Europe, North America and Japan has led to a 27% growth in the overall sales of the products compared to that in 2013. The sales volume of 3G/4G products have also doubled. The Group has set a new record in shipment for the Year with greater shipment proportion of 3G/4G products. Analysing by sales geography, the Group saw higher growth in overseas markets, with sales volume in Europe and the US recording a growth in sales of more than 30%. Selling price and profit in the overseas market were also higher than those in the domestic market. Analysing by sales platform, in addition to 3G/4G products which recorded double sales volume growth, the selling price and profit of 3G/4G platform products were also higher than those of 2G platform products. The above two factors have resulted in greater growth in sales and gross profit for the whole Year.

In 2014, the Group's strategies remained to be the continuous expansion of its market share in domestic and overseas markets. In the domestic market, the Group has continued to maintain its price competitiveness in the PRC and maximise its market share in major fields such as fleet management, commercial telematics, Automated Meter Reading ("AMR"), wireless POS terminals, security and telehealth in the PRC. As for overseas regions, the Group has continued to increase its market share by capitalising on its competitive cost structure and strengthening the direct cooperation with major operators, in particular, seizing first mover opportunities in Europe, the US, Japan and Korea.

Display and touch panel modules

The Group has decided to substantially reduce the operation scale of the display and touch panel business at the end of 2013. In 2014, the Group has begun to procure display and touch panel module products from external suppliers to meet its internal demand.

IOT business and others

In the past few years, the Group has leveraged its technological advantages in cloud computing, big data, mobile internet and IOT with the aim to spark innovation and transformation from traditional industries. Currently, the Group has commenced implementation in some segments of the IOT business, including integrating the online and offline operation of smart vending machines to create a cloud trade Online-To-Offline ("O2O") platform. It has also developed a cloud computing and big data service platform, which has been applied in areas including smart communities, smart home elderly service, internet vehicles tracking, management of property facilities team (security and engineering maintenance staff) and interaction between families and schools, etc.

The Group aims to revamp the operation mode of traditional vending machines by developing a cloud platform for vending machines with real-time monitoring function and installing various value-added businesses into the machines. In this way, vending machines can be transformed into one-stop multi-functional devices that provide different convenient services such as product retail, advertisements, logistics, e-commerce, financial services and web-surfing. After development for more than one year, most of the Group's vending machines are located in economically prosperous regions such as the Yangtze River Delta and Pearl River Delta regions. Operation teams have been formed in Shanghai, Nanjing and Shenzhen. As for the beverage trading business, the Group has acquired a wholesale and logistics company and has set up many cloud-based trade warehouses in Shanghai, Shenzhen, Wuhan, Qingdao and Hefei to form a complete product distribution system. The finance lease company under the Group provides finance lease services to vending machine operator franchisees to reduce their funding pressure.

Smart manufacturing business

According to the Lewis Turning Point, as labour costs continue to rise, the labour-intensive manufacturing industry in the PRC faces challenges to survive. The main issues currently faced by the industry are labour shortages, high labour costs and difficulty in satisfying labour. The only solution for the manufacturing industry is automation and smart applications. Thus, the Group has devoted great efforts to develop a smart robotic manufacturing business. First, it has started from the automation of the Printed Circuit Board Assembly ("PCBA") examination after the Surface-Mount Technology ("SMT") procedures. To replace manpower with machines, the Group has developed a robotic automated inspection line. After operation for more than one year, the line has become sophisticated and has been introduced into the market. By the end of the Year, the Group's smart manufacturing business began tapping into the machinery industry. The Group has adopted a franchise business model and consolidated a group of automation integration companies to form a smart automated manufacturing industry alliance – "SIM Smart Manufacturing (晨訊智造)". Through this platform, all alliance members can share technologies, R&D results, market information, valuable equipment and talent resources. Each franchisee focuses on intelligent transformation of one production line so as to leverage their specific advantages and capture the outstanding opportunities presented by the automation and transformation of the manufacturing industry in the PRC. The management firmly believes that the shift to smart automated manufacturing by replacing manpower with machines in the manufacturing sector of the PRC will be the dominant future trend and this business is expected to become one of the Group's core businesses in the future.

Properties development

Shenyang City

As at 31 December 2014, Phase I of "The Riverside Country"(晨興•翰林水郡), which is located in Shenyang City, the PRC, has a total of 404 residential units, of which 389 units had been sold. Phase II has a total of 756 residential units, of which 566 units had been sold while in the completed section of Phase III, 27 units had been sold. The sales recognised in 2014 amounted to HK$211.2 million (2013: HK$117.6 million) with gross profit margin of 21% (2013: 25.4%).

Taizhou City

The Group intends to develop a parcel of land in Taizhou City, PRC into a smart residential district with the project designated as an "IOT and New Energy Model Residential Area (物聯網新能源示範社區)" Phase I of the project has been put up for sale and is expected to be delivered in the fourth quarter of 2015.

PROSPECTS

The Group has implemented a strategy of establishing its presence in the ODM consumer handset business and developing new businesses including the industrial application terminals business and other non-handset businesses, thereby enjoying more business opportunities and greater scope for development in the future. In view of the continuous uptake of 4G applications around the world, in particular, the tremendous growth of the 4G market in the PRC, North America and Japan is expected to generate revenue to the Group in the future. On the technology front, the Group is continuing to enhance its R&D efforts and investment of resources on 4G LTE and IOT industry application terminals and assess the need of customers in the market so as to increase the market share of cooperative projects on the customer side. For the business model and strategy of the consumer handsets, the Group is structuring the business into "customised high-end ODM products" and "self-customised product". In the high-end ODM customer segment, the Group is targeting international brands, the PRC domestic internet brands and new differentiated brands. In the customer segment of "self-customised products", the Group is targeting local brands in the overseas markets (Europe, South and North America, Middle East, Southeast Asia, etc.). As for industrial application terminals, the Group will continue to develop various industrial application terminals and IOT application terminals, and enhance direct cooperation with major operators and attract more quality customers, thereby laying a strong foundation for its business. The management expects that the profit contribution from consumer handsets and the industrial application terminals ODM business will be roughly equal in the coming year.

For the wireless communication modules business, through successful implementation of its product strategy in 2014, the Group will continue to capture global market share in the 2G market and maximise its development in the 3G/4G market in Europe, the US, Japan and Korea in 2015. By direct communication and cooperation, it aims to attain international certifications and develop strategic cooperation with top global operators and at the same time strives to build partnerships with its customers who are leading companies in major Machine-To-Machine ("M2M") industrial application areas and collaborate with them to facilitate the implementation for 3G/4G projects and relevant marketing campaigns.

On the IOT business front, the management expects that total sales of vending machines will grow in multiples during 2015. Within this business, smart vending machines are expected to account for more than 70% with a focus on distribution in Shanghai and Shenzhen to create a regional advantage. In other regions, the Group is expanding the cloud-based vending machine business through a franchise model and joint investment. Moreover, the Group is continuing to develop and engage in incorporating artificial intelligence elements into residential and commercial properties, as well as IOT projects relating to elderly care, transportation and education, etc.

In addition, the Group will continue to accelerate the development of its robotic automation business. Replacing manpower with robots has become a dominant trend in the industry. Thus the smart robotic manufacturing business is expected to achieve exponential growth in a few years ahead. The management strongly believes that, as manufacturing in the PRC becomes increasingly automated, intelligent operation is set to become a major feature. The business is expected to become one of the Group's core businesses in the future.

After more than two years' effort, the Group has achieved substantial progress in its product and business transformation. The management is confident about the future prospects of the Group and continues to pursue innovation in all aspects of its business. Given the anticipated strong growth in its high-end consumer handsets and industrial application terminals ODM business and the new growth momentum generated by its new businesses, the Group expects its overall scale and scope of business and profit to grow continuously.

FINANCIAL REVIEW

For the Year, the revenue from sale of handsets and solutions, wireless communication modules, display modules, internet of things business (together, "core business") increased significantly by 34.0% to HK$2,141.2 million (2013: HK$1,598.5 million). This was attributable to the increases in the revenue of handsets as well as the wireless communication modules. The revenue from the sale of residential units in Shenyang, PRC amounted to HK$211.2 million (2013: HK$117.6 million). The total revenue of the Group for the Year, included revenue of core business and properties development, amounted to HK$2,352.4 million (2013: HK$1,716.1 million).

The gross profit for core business of the Group for the Year increased substantially by 62.6% year-on-year to HK$256.8 million (2013: HK$157.9 million). The gross profit margin for core business increased to 12.0% (2013: 9.9%). The overall gross profit margin of the Group for the Year was 12.8% (2013: 10.9%).

As a result of the significant increase in the revenue, together with the reduction in overall operating expenses and the significant decrease in impairment loss recognised in respect of property, plant and equipment, the Group achieved a turnaround to a profit attributable to owners of the Company of HK$24.0 million (2013: loss of HK$239.2 million) for the Year. The basic earnings per share for the Year was HK0.94 cent (2013: loss per share HK9.4 cents).

Research and development expenses

In 2014, the Group focused on the development of 4G handsets and application terminals. The number of design and development team members was 800 (2013: 700). The R&D expenses, which amounted to HK$144.2 million (2013: HK$201.6 million), represented 6.1% (2013: 11.7%) of the Group's revenue.

Selling and distribution costs

The selling and distribution costs of the Group for the Year decreased by 5.4% to HK$101.6 million (2013: HK$107.4 million). The ratio of the selling and distribution costs over revenue in 2014 was 4.3% (2013: 6.3%).

Administrative expenses

The Group's administrative expenses for the Year decreased by 13.9% to HK$85.9 million (2013: HK$99.8 million), representing 3.7% (2013: 5.8%) of the revenue.

Segment results of core business

	Year ended 31 December 2014			Year ended 31 December 2013		
	Revenue	**Gross profit (loss)**	**Gross profit (loss) margin**	Revenue	Gross profit (loss)	Gross profit (loss) margin
	HK$'M	***HK$'M***	***%***	*HK$'M*	*HK$'M*	*%*
Handsets and solutions	**1,511.5**	**160.5**	**10.6**	963.1	101.6	10.6
Wireless communication modules	**557.3**	**90.8**	**16.3**	473.1	73.8	15.6
Internet of things business	**57.8**	**13.5**	**23.4**	–	–	–
Display modules	**14.6**	**(8.0)**	**(54.8)**	162.3	(17.5)	(10.8)
Total	**2,141.2**	**256.8**	**12.0**	1,598.5	157.9	9.9

Handsets and solutions

Due to the increase in the sales of high-end consumer handsets and industrial application terminals during the Year, the revenue for handsets and solutions increased significantly year-on-year by 56.9% to HK$1,511.5 million (2013: HK$963.1 million) in the Year. The gross profit margin for this segment remained flat at 10.6% (2013: 10.6%) for the Year. The revenue of ODM business contributed to approximately 78% of the revenue of this segment in 2014 (2013: 55%).

Wireless communication modules

During the Year, the revenue for wireless communication modules increased by 17.8% as compared to that of year 2013, while the gross profit margin increased to 16.3% (2013: 15.6%). This was attributable to the increasing overseas demand for the Group's new 3G/4G products and the higher selling price in Europe and the US as compared to the PRC.

Internet of things business

After development for more than one year, most of the Group's vending machines are located in economically prosperous regions such as the Yangtze River Delta and Pearl River Delta Regions. The revenue of this new business segment amounted to HK$57.8 million for the Year and the gross profit margin was 23.4%.

Display modules

The Group has decided to substantially reduce the operation scale of this segment at end of 2013. As a result, the revenue for the Year decreased significantly as compared to that of year 2013 and a gross loss of HK$8.0 million (2013: HK$17.5 million) has been recorded for this segment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2014, the Group had bank balances and cash of HK$291.8 million (31 December 2013: HK$255.4 million), among which 87.6% was held in Renminbi, 12.1% was held in US dollars and the remaining balance was held in Hong Kong dollars. The Group also had pledged bank deposits of HK$40.9 million (31 December 2013: HK$80.8 million) in Renminbi for the purpose of the Group's US dollars borrowings. The Group intends to finance its working capital and capital expenditure plans from such bank balances. The Group has pledged certain of its assets (including bank deposits, property, plant and equipment, notes receivables and land use rights) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK$319.0 million (31 December 2013: HK$191.8 million), among which 7.9% was denominated in Renminbi and the remaining balance was denominated in US dollars. All of the bank borrowings were at floating interest rates.

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:

	2014	2013
	Days	Days
Inventory turnover period	**53**	59
Trade and notes receivables period	**41**	*(Note (i))*
Trade and notes payables period	**56**	*(Note (ii))*

Notes:

(i) For the corresponding period in 2013, the turnover period of the trade receivables and the notes receivables were 66 days and 10 days respectively.

(ii) For the corresponding period in 2013, the turnover period of the trade payables was 93 days.

The new customers of the Group with shorter credit period increased during the Year, so the turnover period of the trade and notes receivables decreased in 2014.

To secure the procurement by the Group, the deposit paid to suppliers in 2014 had been increased. As a result, the turnover period of the trade and notes payables decreased in 2014.

As at 31 December 2014, the current ratio, calculated as current assets over current liabilities, was 2.1 times (31 December 2013: 2.0 times).

Treasury Policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are held under fixed and savings deposits in reputable banks to earn interest income. As at 31 December 2014, the Group has entrusted a total amount of HK$167.3 million under certain asset management agreements for investment periods ranging from six months to two years. During the Year, the Group did not have any other security or capital investments or derivative investments.

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

CAPITAL STRUCTURE

As at 31 December 2014, the Company had 2,557,498,500 ordinary shares of HK$0.10 each in issue.

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

CASH FLOW STATEMENT HIGHLIGHTS

	2014	2013
	HK$' million	*HK$' million*
Net cash from (used in) operating activities	**44.6**	(34.8)
Capital expenditure	**(19.2)**	(65.8)
Development costs	**(123.1)**	(83.2)
Net increase in bank borrowings	**129.9**	140.4
Investment in an associate	**(1.7)**	(30.0)
Net increase in entrusted loan receivables	**(41.4)**	(125.9)
Proceeds from disposal of property, plant and equipment	**16.3**	–
Deposits received for disposal of an associate	**16.3**	–
Others	**(15.8)**	(6.2)
Net increase (decrease) in cash and cash equivalents	**5.9**	(205.5)

GEARING RATIO

As at 31 December 2014, the total assets value of the Group was HK$3,074.6 million (31 December 2013: HK$2,858.6 million) and the bank borrowings was HK$319.0 million (31 December 2013: HK$191.8 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 10.4% (31 December 2013: 6.7%).

FUTURE PLANS FOR MATERIAL INVESTMENT

As at the date of this announcement, the Group does not have any other plans for material investment or capital assets save as disclosed in this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Year, the Group entered into a sale and purchase agreement with the existing shareholder of an associate of the Company to dispose of the Group's entire 30% equity interest in such associate for a consideration of approximately HK$32.8 million. The principal activity of such associate is the provision of industrial use helicopter services in the PRC. As at the date of this announcement, the said disposal has not been completed.

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

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

EMPLOYEES

As at 31 December 2014, the Group had approximately 2,180 (2013: 2,500) 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$313.2 million (2013: HK$299.0 million) during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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.

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 30 May 2014 ("2014 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 2014 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 2014 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 ended 31 December 2014 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 2014 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 are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Zhang Jianping, Ms Tang Rongrong, Mr Chan Tat Wing, Richard and Mr Liu Hong, and the independent non-executive Directors are Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting.

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

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

Hong Kong, 27 March 2015

* *For identification purposes only*