

The background features a complex network of blue and light blue lines forming a mesh-like structure. Scattered throughout this network are several white icons: a smartphone, a lightbulb, a car with a Wi-Fi symbol, a robotic arm, a Wi-Fi signal symbol, a downward arrow, a share symbol, and a radio tower.

Interim Report 2016

sim

SIM Technology

SIM Technology Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)

CHAIRMAN'S STATEMENT

Chairman's Statement

On behalf of the board ("Board") of the directors ("Directors") of SIM Technology Group Limited ("Company"), I am presenting the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2016.

Business Review

Reviewing 2015, the Group's business positioning and development strategies after its business transformation have begun to show notable results. In the first half of 2016, the Group has continued to consolidate the growth in its quality Original Design Manufacturer (ODM) consumer handset and wireless communication modules businesses. At the same time, the Group has also actively expanded the industrial application terminal, Internet of Things ("IOT") and intelligent robotic manufacturing businesses. During the reporting period, most of the core businesses of the Group recorded growth in revenue and gross profit, laying a solid foundation for the sustainable development of its overall operation in the future.

For the handsets and solutions business, the handsets developed for an internet operator last year were sold in the market throughout the first half of 2016. Meanwhile, the Group also boosted its research and development ("R&D") efforts in industry applications and IOT terminals last year. The combined effect contributed to the growth of the shipment volume and revenue in the first half of 2016, as compared to the same period last year. However, consumer handsets, which accounted for a larger proportion of shipment volume and sales, had a lower gross profit margin, resulting in a slight decrease in gross profit and gross profit margin in the handsets and solutions business during the period.

Due to the increasing demand for the Group's wireless communication modules from domestic and overseas markets, overall shipments have risen more than 27% as compared to the same period last year, of which 3G and 4G products had higher sales amounting to an increase of 40% and 12-times respectively. Hence, the shipment, sales and gross profit during the period recorded considerable growth. Benefitting from the notable growth in sales volume of 4G modules, gross profit margin for the period remained at the same level as compared to the same period last year despite the declining average selling price ("ASP") of 2G and other low-end modules.

CHAIRMAN'S STATEMENT

As for the IOT business, the Group has continued to boost the investment in the value-added services of intelligent vending machines. It has expanded the business from retail, finance leasing and beverage trading to sectors including the operation of Online-To-Offline ("O2O") big data platform and the manufacturing of intelligent vending machine controllers. During the reporting period, the Group rationalised some of the Point-Of-Sales ("POS") that incurred higher rental or did not reach the sales target and tightened the cost control of rental fees over its newly-added POS. In addition, the Group has continued to expand the cloud computing and big data service platform, which has been applied in areas such as intelligent community and intelligent elderly care services, Internet of Vehicles ("IOV") applications and property management.

During the period under review, the Group has continued to actively expand the intelligent manufacturing business, fully utilized its advantage of manufacturing techniques and thorough understanding in the area of handsets and related components, and expanded its R&D team for robotics application and integration. These initiatives have enable it to quickly capture opportunities in the handset manufacturing market with notable results. The Group has enjoyed recognition as a prestigious brand in the communication and Surface-Mount Technology (SMT) testing sectors. During the reporting period, both sales and gross profit recorded significant growth. However, in order to secure more customers who can afford to consume our intelligent manufacturing products, the price reduction strategy adopted amidst the fierce market competition has affected the growth in gross profit margin for the period.

Handsets and solutions business

Handset operators continue to purchase low-end 4G handsets from low-end to mid-range brands in China and use these handsets to boost their sales through giving away handsets when customers sign up for their mobile subscriptions. At the same time, some major handset brands sell their flagship products through their numerous POS. However, the intensifying competition in the open consumer market and price war have compelled some brands to focus their differentiated products on niche markets which have achieved progress. During the period, in light of this development trend, the Group has continued to develop products for education, training, light luxury segments and government affairs to secure branded customers in various differentiated product markets, which is expected to bring a contribution to revenue in the second half of the year.

CHAIRMAN'S STATEMENT

Demand for industrial application terminals has continued to increase along with the further development of the IOT and Business-To-Business (B2B) sectors. In addition to expanding traditional scan terminals, police operational terminals and waterproof, dust-proof and shock-resistant terminals, the Group is further increasing investment in two-to-three target industries aiming to become a comprehensive solution provider in that industry. The rapid development of the global IOT market presents enormous potential market demand for terminals. Thus, the Group is continuing its strategy of investment in new areas in order to generate considerable returns in the future.

For the overseas market, the Group has continued to focus on Europe, Japan and North America. These markets have higher entry barriers with a longer investment period. Nevertheless, this strategic thrust is beneficial to the Group's long-term business development due to the overall income and strong customer loyalty. Apart from traditional consumer terminals, the Group has also been expanding into the IOT and the industrial application terminal segments in these geographic markets and the related new products are to be launched in the next two years.

Wireless communication modules business

The IOT market in China has continued to flourish. The leading companies in different industries and the three largest operators in China have continued to implement favourable strategies such as network upgrades, provision of subsidies and customised terminals, which stimulated the diversification of terminal products and recorded notable growth in mainstream application markets such as smart homes, smart home electrical appliances, mobile payment POS, IOV, wireless automated meter reading (AMR) and security and surveillance. Thanks to the Group's extensive IOT industry application experience, it has achieved outstanding results across a wide range of IOT applications, enabling it to retain a leading presence in the IOT sector over the years. At the same time, the Group has continued to develop new products and provide prompt quality customised services for customers, while also achieving satisfactory results in the emerging industries including security and surveillance, smart home, smart home electrical appliances and health care sectors. Besides, the Group is also developing projects according to specification for customers in specific industries, thereby assisting customers to speed up the R&D of terminal products and saving their development costs.

CHAIRMAN'S STATEMENT

Demand in Europe has shown clear signs of warming up. During the period under review, sales volume grew more than 30%. Meanwhile, demand for 2G, 3G and Global Navigation Satellite System ("GNSS") modules in South East Asia and Australia has also recorded significant growth. The Group and its business partners have actively participated in undertaking tenders for 3G and 4G products in Europe, South Asia, South East Asia and Australia. In North America, the shipment volume of 3G modules has almost doubled, while our SIM7100A 4G module has been applied by some customers. The SIM7500A 4G module is also preparing for passing the AT&T certification. In the Japan market, the certification for 4G modules has been almost completed and the design work for customers' terminal products has also commenced. The Group expects that these modules and terminal projects would generate more revenue in the second half of 2016. According to an AB1 2015 research report, SIMCOM branded modules accounted for the largest and second largest market share in China and in the world respectively between 2008 and 2014, and ranked the first in freight volume globally in 2015.

IOT business

During the period under review, the Group's big data platform has continued to focus on a series of IOT application integrated solutions such as intelligent community and intelligent elderly care services, health monitoring systems, vehicle anti-theft management, management systems for property security, management systems for student safety, an automatic vending machine O2O service, and an industrial Internet. The platform also provides all-round cloud computing services to the Group through designing servers with uniform standards.

Regarding the vending machine business, after more than two years' development, the Group has enhanced the digital and networking functions of its vending machines, which has enabled multiple online payment functions such as QuickPass, Alipay and WeChat. This becomes an innovative payment model in the PRC which has drawn attention across different industries. In addition to the sale of traditional products such as food and beverages, it will gradually expand to cover other products such as packaged meals, medicine and daily personal necessities. During the period, the Group has optimized the POS, adjusted the product structure of certain POS and facilitated new arrangements and trials for new POS. Besides, the Group has shortened the lease period of certain customers to reduce the scale of finance leasing, lower the burden and risks of its assets and concentrate its resources on developing the profitability of its online business in the future.

CHAIRMAN'S STATEMENT

The Group's intelligent elderly care services and intelligent community businesses are expanding. The Secretary of the municipal party committee of Shanghai City and Mayor of Shanghai visited one of the high-end intelligent elderly care homes in Shanghai which is using the intelligent platforms and intelligent positioning products produced by the Group and provided a high recognition. Currently, the Group is undertaking intelligent engineering for six intelligent communities. These efforts are expected to form a solid foundation for the Group to develop in the IOT industry.

Intelligent manufacturing business

Since the Group has entered the intelligent manufacturing business segment in 2015, it has developed an automated testing system and subsequently entered the intelligent manufacturing market in the first half of 2016. Leveraging its significant advantages such as technological expertise, prompt attentive service and strong R&D capability, the Group has achieved impressive results in the China market. During the period, the Group has continued to allocate substantial resources to its R&D and design team, which has attained a level comparable to major integrated enterprises in the industry with the capacity to develop and design more than 20 projects concurrently.

The Group's efforts in the intelligent manufacturing business have begun to bear fruit. After the Group was designated as a pilot entity of "Integrated Standardisation and New Model Application for Intelligent Manufacturing", it was also included as one of the 63 companies on the "2016 Intelligent Manufacturing Pilot Demonstration Project" list by the Ministry of Industry and Information Technology. This is the highest honour awarded in the PRC to enterprises which have made significant contribution to execute the national "Made in China 2025" strategy.

Properties development

As at 30 June 2016, "The Riverside Country" (晨與•翰林水郡), in Shenyang City, the PRC, has a total of 1,616 residential units in three phases, of which 1,248 units had been sold.

As at 30 June 2016, Phase I of "Seven River in Sweet" (七里香溪), in Taizhou City, the PRC, has a total of 310 residential units, of which 228 units had been sold. The construction of Phase II has been commence and is expected to be completed in the second half of 2017.

CHAIRMAN'S STATEMENT

The sales recognised for the first half of 2016 amounted to HK\$112.5 million (2015 HK\$66.4 million) with a gross profit margin of 12.9% (2015: 18.5%).

Interim dividend

The Board does not recommend the payment of interim dividend to the shareholders of the Company for the six months ended 30 June 2016.

Prospects

In the future, the Group will continue to implement its ongoing strategies. As for the handset business, more new products developed in the first half are to be launched in the second half of 2016, with most of the profit expected to come from differentiated handset and industrial application terminals. The shipment to several major domestic and overseas customers will create room for increasing profitability. The Group will continue to secure more high-end differentiated customers and increase investment in industry terminals as it broadens its product range and scope of service. Apart from strengthening close cooperation with its current and industry consumers, our future development strategy for the handset business will be to develop domestic and overseas markets.

The global IOT industry is still in a fast-growth stage and has enormous room for expansion. As such, the Group will continue to enrich and optimise 2G modules and launch 3G modules with a higher price performance ratio. Besides, the highly integrated GNSS+GSM combo module will be marketed in the second half of 2016, optimising the GNSS module product mix. As for 4G modules, this product will be the key driver of the module businesses in the future. The Group has already started delivery of 4G modules and will launch the CAT4 and CAT1 4G modules boasting stronger technology in the second half of the year. At the same time, the Group has developed Narrow Band IOT (NB-IOT) and CAT-M technologies, and will launch customised supporting modules based on the network development of operators and upon the request of customers. Building upon the good results in the past few years and the new projects we have secured from customers, and more recently have captured the world number one market share in 2015, while in the future the Group will strive to enter more high-end markets and maintain its leadership in the global IOT module application and solution market.

CHAIRMAN'S STATEMENT

The Group's vending machines offer the potential to optimise the POS burdened with higher expenses but low sales volume and reform the old vending machine payment model, and can also connect to a standardised payment platform, so the Group will also continue to enhance the development of value-added business within the intelligent automatic vending machine segment. It will step up its efforts to promote the O2O business and accelerate cooperation within the cloud-based business by working with UnionPay and banks, and use our vending machine network as a satisfactory high-frequency small-amount transaction channel, to promote the new business, hence providing marketing and channel support for them. Moreover, the Group continues to expand the cloud computing and big data service platform to support our self-developed smart home elderly service systems, health monitoring systems and vehicle anti-theft management systems and to promote these systems in both domestic and overseas markets.

Intelligent manufacturing is the latest business area that the Group has entered. It also offers the great development potential and its efforts over the years have started to bear fruit. The Group intends to increase its investment and expand its business scale into more industrial markets. Furthermore, the Group will develop the industrial internet by increasing investment in areas such as intelligent storage and logistics. In the past, our focus has been placed in replacing workers along production lines with equipment. The Group's direction in the future would be replacing workers handling simple, repetitive and mundane paper-work or desk jobs with robots, visual systems and artificial intelligence, which will increase work efficiency, eliminate human failure or error, and ultimately build an intelligent factory in which operations are digitalised, connected by networks with flexibility as described in Industry 4.0.

The management believes that the Group has reported good performances in new growth points and set effective development directions for laying a foundation for its sustainable development. The ensuing growth of its new business is set to advance the Group's overall business to new heights in the coming years.

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 contribution throughout the reporting period.

Yeung Man Ying

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2016 ("1H-2016"), the revenue of the Group was HK\$1,325.7 million (2015: HK\$1,124.8 million), in which the revenue from sale of handsets and solutions, wireless communication modules, display modules, internet of things business and intelligent manufacturing business (together, "core business") increased by 14.6% to HK\$1,213.2 million (2015: 1,058.4 million) as compared with that of the first half of 2015 ("1H-2015"). The revenue from the sale of residential units in Shenyang and Taizhou, PRC was HK\$112.5 million in 1H-2016 (2015: HK\$66.4 million).

The gross profit for 1H-2016 for core business of the Group increased year-on-year by 13.0% to HK\$186.8 million (2015: HK\$165.4 million). The gross profit margin for core business maintained at 15.4% (2015: 15.6%). The overall gross profit margin of the Group for 1H-2016 was 15.2% (2015: 15.8%).

As a result of the increase in revenue and the gross profit in 1H-2016, the Group achieved a profit attributable to owners of the Company of HK\$31.0 million (2015: HK\$16.5 million). The basic earnings per share for 1H-2016 was HK1.2 cents (2015: HK0.6 cents).

Segment results of core business

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Revenue HK\$'M	Gross profit HK\$'M	Gross profit margin %	Revenue HK\$'M	Gross profit HK\$'M	Gross profit margin %
Handsets and solutions	687	87	12.7	625	92	14.8
Wireless communication modules	331	50	15.0	286	44	15.3
Internet of things business	122	21	17.4	121	17	14.5
Intelligent manufacturing business	73	29	39.0	26	12	43.9
Total	1,213	187	15.4	1,058	165	15.6

MANAGEMENT DISCUSSION AND ANALYSIS

Handsets and solutions

Due to the year-on-year growth of the shipment volume of the handsets and solutions, the revenue of this segment for 1H-2016 increased 10.0% to HK\$687.0 million (2015: HK\$ 624.7 million) as compared to that of 1H-2015. However, consumer handsets, which normally accounts for a larger proportion of shipment volume and sales, recorded a lower gross profit margin, resulting in a slight decrease in gross profit and gross profit margin during 1H-2016. The gross profit margin for this segment slightly decreased to 12.7% in 1H-2016 (2015: 14.8%). The revenue of ODM business contributed to approximately 79% of the revenue of this segment in 1H-2016 (2015: 83%).

Wireless communication modules

Due to the increasing demand for the Group's wireless communication modules from domestic and overseas markets, overall shipment in 1H-2016 have risen more than 27% as compared to the same period last year. Hence, the revenue of this segment increased year-on-year by 15.6%. Benefitting from the notable growth in sales volume of 4G modules, the gross profit margin maintained at 15.0% (2015: 15.3%) despite the declining ASP of 2G and other low-end modules.

IOT business

During 1H-2016, the Group rationalised some of the POS that incurred higher rental or did not reach the sales target and tightened the cost control of rental fees over its newly-added POS. As a result, the revenue of IOT business recorded HK\$121.6 million (2015: HK\$120.9 million) in 1H-2016 while the gross profit margin increased to 17.4% (2015: 14.5%).

Intelligent manufacturing business

During 1H-2016, the Group has continued to actively expand the intelligent manufacturing business and both revenue and gross profit recorded significant growth. However, in order to secure more customers who can afford to consume our intelligent manufacturing products, the price reduction strategy adopted amidst the fierce market competition has affected the growth in gross profit margin for the period. The revenue of this segment increased to HK\$73.5 million (2015: HK\$26.5 million) and the gross profit margin decreased to 39.0% in 1H-2016 (2015: 43.9%).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2016, the Group had bank balances and cash of HK\$245.7 million (31 December 2015: HK\$298.4 million), of which 76.4% was held in Renminbi, 23.4% was held in US dollars and the remaining balance was held in Hong Kong dollars. As at 30 June 2016, the Group also had pledged bank deposits of HK\$50.6 million (31 December 2015: HK\$102.9 million) in Renminbi for the purpose of the Group's 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, investment properties and land use rights) to secure the bank borrowings. The total bank borrowings of the Group amounted to HK\$205.3 million as at 30 June 2016 (31 December 2015: HK\$333.5 million), all of which carried at floating interest rates and repayable within one year.

Operating efficiency

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

	30 June 2016 Days	31 December 2015 Days
Inventory turnover period	114	71
Trade and notes receivables turnover period	45	33
Trade and notes payables turnover period	101	64

As at 30 June 2016, the current ratio, calculated as current assets over current liabilities, was 2.0 times (31 December 2015: 1.8 times).

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury policies

The Group adopts a prudent approach in its treasury policy. The Group's surplus funds are held under fixed and savings deposits in reputable banks to earn interest income. As at 30 June 2016, the Group has entrusted a total amount of HK\$117.3 million under certain asset management agreements for an investment period from six months to one year. During 1H-2016, the Group did not have any other security or capital investments or derivative investments.

Certain sales and purchases of inventories of the Group are denominated in US dollars. Furthermore, certain trade receivables, trade payables and bank balances are denominated in US dollars, therefore exposing the Group to the currency risk of US dollars. During 1H-2016, 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 30 June 2016, the Company had 2,557,896,300 ordinary shares of HK\$0.10 each in issue.

No shares of the Company has been issued or repurchased during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOW STATEMENT HIGHLIGHTS

The following is the highlights of the cash flow statement of the Group for 1H-2016 and 1H-2015:

	1H-2016 HK\$'M	1H-2015 HK\$'M
Net cash from operating activities	170.3	32.3
Capital expenditure	(41.8)	(7.3)
Proceeds on disposal of equipment	-	13.5
Development costs	(97.3)	(79.6)
Net (decrease) increase in bank borrowings	(127.0)	2.3
Deposits received for disposal of an associate	-	1.3
Net decrease in entrusted loan receivables	3.5	-
Advance from a director	-	54.6
Interests paid	(4.6)	(5.0)
Others	(8.1)	5.6
Net (decrease) increase in cash and cash equivalents (including pledged bank deposits and structured deposits)	(105.0)	17.7

GEARING RATIO

As at 30 June 2016, the total assets value of the Group was HK\$3,253.3 million (31 December 2015: HK\$3,396.1 million) and the bank borrowings was HK\$205.3 million (31 December 2015: HK\$333.5 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 6.3% (31 December 2015: 9.8%).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 30 June 2016, the Group had approximately 2,410 (31 December 2015: 2,600) employees. The Group operates a mandatory provident fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group also offers discretionary bonuses 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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set by the human resources department. The Group seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company are reviewed by the remuneration committee of the Board, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

The Company adopted a post-listing share option scheme ("Post-IPO Share Option Scheme") on 30 May 2005 and a new share option scheme ("New Share Option Scheme") on 2 June 2016. The primary purpose of both schemes is to motivate the eligible persons referred to in the scheme, which include executive Directors and employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.

FUTURE PLANS FOR MATERIAL INVESTMENT

As at 30 June 2016, the Group did not have any other plans for material investment or capital assets save as disclosed in this report.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

During 1H-2016, the Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities.

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	1,325,658	1,124,772
Cost of sales		(1,124,405)	(947,133)
Gross profit		201,253	177,639
Other income	5	32,926	48,009
Other gains and losses	5	(3,391)	(3,702)
Research and development expenses		(41,280)	(71,465)
Selling and distribution costs		(64,828)	(55,107)
Administrative expenses		(67,027)	(58,859)
Share of results of associates		(747)	(473)
Finance costs		(4,639)	(4,972)
Profit before taxation		52,267	31,070
Taxation	6	(19,518)	(13,910)
Profit for the period	7	32,749	17,160
Profit for the period attributable to:			
Owners of the Company		31,012	16,465
Non-controlling interests		1,737	695
		32,749	17,160
Earnings per share (HK cents)	9		
Basic		1.2	0.6
Diluted		1.2	0.6

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	32,749	17,160
Other comprehensive income (expense):		
Items that may not be subsequently reclassified to profit or loss for the period:		
Exchange difference arising on translation to presentation currency	(5,026)	2,609
Total comprehensive income for the period	27,723	19,769
Total comprehensive income attributable to:		
Owners of the Company	26,846	19,004
Non-controlling interests	877	765
	27,723	19,769

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

		30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
	NOTES		
Non-current assets			
Investment properties	10	358,187	355,981
Property, plant and equipment	10	408,292	405,976
Land use rights		89,188	91,605
Intangible assets	10	138,725	117,017
Deferred tax assets	12	45,049	45,487
Finance lease receivables		2,778	3,184
Interests in associates		4,586	5,333
Available-for-sale investments		16,875	16,875
Entrusted loan receivables	13	–	47,360
Consideration receivable	19	1,687	1,806
		1,065,367	1,090,624
Current assets			
Inventories		613,131	668,271
Finance lease receivables		8,535	9,954
Properties under development for sale		272,546	227,010
Properties held for sale		293,125	340,681
Trade and notes receivables	14	305,273	292,356
Other receivables, deposits and prepayments		249,836	254,709
Amount due from an associate	16	1,400	–
Amounts due from non-controlling shareholders of subsidiaries	16	2,694	8,504
Consideration receivable	19	704	754
Entrusted loan receivables	13	117,300	74,592
Pledged bank deposits		50,580	102,864
Bank balances and cash		245,687	298,386
		2,160,811	2,278,081
Asset classified as held for sale	11	27,119	27,384
		2,187,930	2,305,465

INTERIM FINANCIAL STATEMENTS

		30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
	NOTES		
Current liabilities			
Trade and notes payables	15	488,112	628,401
Other payables, deposits received and accruals		325,631	236,260
Amount due to a non-controlling shareholder of a subsidiary	16	37,067	46,911
Amount due to an associate	16	–	3,501
Bank borrowings	17	205,275	333,520
Tax payable		19,438	8,229
		1,075,523	1,256,822
Liability associated with asset classified as held for sale	11	24,574	24,805
		1,100,097	1,281,627
Net current assets		1,087,833	1,023,838
		2,153,200	2,114,462
Capital and reserves			
Share capital	18	255,790	255,790
Reserves		1,668,287	1,639,989
Equity attributable to owners of the Company		1,924,077	1,895,779
Non-controlling interests		102,644	102,605
Total equity		2,026,721	1,998,384
Non-current liabilities			
Deferred tax liabilities	12	68,252	63,528
Deferred income		58,227	52,550
		126,479	116,078
		2,153,200	2,114,462

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Properties revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	255,750	831,188	27,539	97,091	32,374	102,827	2,282	261,495	301,405	1,912,011	86,443	1,998,454
Profit for the period	-	-	-	-	-	-	-	-	16,465	16,465	695	17,160
Other comprehensive income for the period	-	-	-	-	-	-	-	2,539	-	2,539	70	2,609
Total comprehensive income for the period	-	-	-	-	-	-	-	2,539	16,465	19,004	765	19,769
Issue of new shares upon exercising of share options	40	101	-	-	-	-	-	-	-	141	-	141
Transfer upon exercise of share options	-	74	-	-	(74)	-	-	-	-	-	-	-
Acquisitions of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	-	5,627	5,627
Share options lapsed	-	-	-	-	(3,400)	-	-	-	3,400	-	-	-
Recognition of equity settled share-based payments	-	-	-	-	1,452	-	-	-	-	1,452	-	1,452
At 30 June 2015 (unaudited)	255,790	831,363	27,539	97,091	30,352	102,827	2,282	264,034	321,270	1,932,808	92,835	2,025,443
At 1 January 2016 (audited)	255,790	831,363	40,623	97,091	30,888	102,827	2,282	177,573	357,342	1,895,779	102,605	1,998,384
Profit for the period	-	-	-	-	-	-	-	-	31,012	31,012	1,737	32,749
Other comprehensive income for the period	-	-	-	-	-	-	-	(4,166)	-	(4,166)	(860)	(5,026)
Total comprehensive income for the period	-	-	-	-	-	-	-	(4,166)	31,012	26,846	877	27,723
Share options lapsed	-	-	-	-	(4,125)	-	-	-	4,125	-	-	-
Recognition of equity settled share-based payments	-	-	-	-	1,452	-	-	-	-	1,452	-	1,452
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,382	1,382
Capital reduction of non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,220)	(2,220)
Transfer to statutory surplus reserve	-	-	3,955	-	-	-	-	-	(3,955)	-	-	-
At 30 June 2016 (unaudited)	255,790	831,363	44,578	97,091	28,215	102,827	2,282	173,407	388,524	1,924,077	102,644	2,026,721

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Notes:

- (a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except where the reserve has reached 50% of the subsidiaries' registered capital). The reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (b) Other reserve was arisen from the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	159,483	125,826
Decrease (increase) in properties under development for sales and properties held for sales	2,020	(6,576)
Other movements in working capitals	2,048	(87,293)
Cash generated from operations	163,551	31,957
Interest received	8,736	8,666
Tax paid	(2,012)	(8,318)
NET CASH FROM OPERATING ACTIVITIES	170,275	32,305
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(41,828)	(7,339)
Proceeds on disposal of property, plant and equipment	–	13,497
Expenditure paid for intangible assets	(97,256)	(79,602)
Deposits received for disposal of an associate	–	1,256
Net cash from disposal of a subsidiary	–	(465)
Net cash from acquisitions of subsidiaries	–	5,629
Injection from non-controlling shareholders of subsidiaries	4,972	–
Investment in entrusted loan receivables	(35,190)	(50,240)
Receipt of entrusted loan receivables	38,709	50,240
Withdrawal of structured deposits	–	22,642
Placement of pledged bank deposits	(50,968)	(58,702)
Withdrawal of pledged bank deposits	102,690	74,358
NET CASH USED IN INVESTING ACTIVITIES	(78,871)	(28,726)

INTERIM FINANCIAL STATEMENTS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	159,570	323,776
Repayments of bank borrowings	(286,566)	(321,477)
Interest paid	(4,639)	(4,972)
Advance from a director	–	54,600
Repayment to non-controlling shareholders of subsidiaries	(9,397)	–
Net proceeds from issue of shares upon exercise of share options	–	141
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(141,032)	52,068
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(49,628)	55,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	298,386	291,762
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,071)	232
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	245,687	347,641

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of display modules, handsets and solutions, wireless communication modules, carrying out internet of things business and intelligent manufacturing business and property development in the PRC.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), as the Directors of the Company 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 condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period. The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

Segment information is presented based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the executive directors, for the purpose of allocating resources to segments and assessing their performance.

During the six-month period ended 30 June 2016, the Group was organised into six (2015: six) reportable and operating segments, being sale of handsets and solutions, sale of wireless communication modules, internet of things business, intelligent manufacturing business, sale of display modules and property development.

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Six months ended 30 June 2016 (unaudited)

	Sale of handsets and solutions HK\$'000	Sale of wireless communication modules HK\$'000	Internet of things business HK\$'000 <i>(Note)</i>	Intelligent manufacturing business HK\$'000	Sale of display modules HK\$'000	Property development HK\$'000	Segment total HK\$'000	Consolidated HK\$'000
Revenue								
External sales	687,030	331,019	121,613	73,463	-	112,533	1,325,658	1,325,658
Segment profit	8,404	25,255	181	5,687	-	4,922	44,449	44,449
Other income and other gains and losses								26,189
Share of results of associates								(747)
Corporate expenses								(12,985)
Finance costs								(4,639)
Profit before taxation								52,267

INTERIM FINANCIAL STATEMENTS

Six months ended 30 June 2015 (unaudited)

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

Note: The internet of things business is still in a developing stage in the current period. 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.

INTERIM FINANCIAL STATEMENTS

Segment result represents the financial result by each segment without allocation of gain from changes in fair values of investment properties, rental income, interest income, unallocated exchange loss (gain), loss on disposal of property, plant and equipment, share of results of associates, corporate expenses, finance costs and taxation.

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Segment assets		
Sale of handsets and solutions	839,599	1,057,811
Sale of wireless communication modules	444,241	348,219
Internet of things business	214,471	211,472
Intelligent manufacturing business	226,214	135,349
Sale of display modules	–	–
Property development	611,901	602,675
Total segment assets	2,336,426	2,355,526
Segment liabilities		
Internet of things business	14,168	12,673
Property development	210,956	132,627
Sale of display modules	–	–
Intelligent manufacturing business	79,591	49,914
Attributable to operating segments other than sale of display modules, internet of things business, intelligent manufacturing business and property development (<i>Note</i>)	561,973	736,504
Total segment liabilities	866,688	931,718

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For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable and operating segments other than investment properties, certain property, plant and equipment, certain land use rights, interests in associates, entrusted loan receivables, consideration receivable, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, bank balances and cash, available-for-sale investments, deferred tax assets, certain other receivables, deposits and prepayments, amount due from an associate 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.

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

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5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other income		
Refund of Value Added Tax ("VAT") (Note i)	4,289	2,274
Government grants (Note ii)	7,761	16,970
Interest income earned on bank balances and structured deposits	1,781	2,768
Interest income earned on entrusted loan receivables	3,746	5,898
Rental income (Less: outgoings of HK\$200,000 (six months ended 30 June 2015: HK\$201,000))	15,187	15,468
Others	162	4,631
	32,926	48,009
Other gains and losses		
Loss on disposal of property, plant and equipment	(713)	(2,216)
Impairment loss recognised in respect of property, plant and equipment	–	(4,506)
Net foreign exchange (loss) gain	(3,489)	539
Changes in fair values of investment properties	5,555	290
Gain on disposal of a subsidiary (Note 19)	–	2,191
Net allowance for bad and doubtful debts	(4,744)	–
	(3,391)	(3,702)

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Notes:

- (i) Shanghai Simcom Limited ("Shanghai Simcom"), Shanghai Simcom Wireless Solutions Limited ("Simcom Wireless") and Shenzhen Zhuoxuda Technology Development Company Limited are engaged in the business of distribution of self-developed and produced software and the development of automated test equipment and software. Under the current PRC tax regulation, they are entitled to a refund of VAT paid for sales of self-developed and produced software and the development of automated test software in the PRC.
- (ii) During the six months ended 30 June 2015, the amount included HK\$14,681,000 related to a conditional government grant granted to the Group in prior years. In the opinion of the Directors, during the period ended 30 June 2015, the conditions attached to the government grant had been all fulfilled, amongst others, including the completed works were approved and verified by government officers. Therefore, government grants of HK\$14,681,000 was recognised to profit or loss during the six months ended 30 June 2015. As at 30 June 2016, the amount has yet been received and hence the amount was included in other receivables, deposits and prepayments.

The amount includes HK\$3,775,000 (six months ended 30 June 2015: HK\$329,000) unconditional government grants received during the period which was granted to encourage for the Group's research and developments activities in the PRC.

In addition, during the current period, the Group received HK\$9,363,000 (six months ended 30 June 2015: HK\$8,022,000) government grants towards the cost of development on wireless communication modules and handset modules in Shanghai and Shenyang. The amounts received were deferred and transferred to other income to match actual expenditure used in research and development activities and HK\$3,986,000 (six months ended 30 June 2015: HK\$1,960,000) was recognised in the profit or loss during the period.

As at 30 June 2016, an amount of HK\$63,477,000 (31 December 2015: HK\$58,687,000) remained to be amortised and is included in other payables (for current portion) and deferred income (for non-current portion).

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6. TAXATION

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Taxation comprises:		
PRC Enterprise Income Tax ("EIT")	(12,778)	(10,254)
PRC Land Appreciation Tax ("LAT")	(2,251)	(1,325)
Overprovisions on PRC EIT in previous years	985	1,096
Deferred tax charge (<i>Note 12</i>)	(5,474)	(3,427)
	<hr/>	<hr/>
Taxation for the period	(19,518)	(13,910)
	<hr/> <hr/>	<hr/> <hr/>

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

EIT is calculated at the rates prevailing in the relevant districts of the PRC taking relevant tax incentives into account. Shanghai Simcom, Simcom Wireless and Shanghai Sunrise Simcom Limited ("Shanghai Sunrise Simcom") are classified as New and High Technology Enterprise and is entitled to adopt a tax rate of 15% (six months ended 30 June 2015: Shanghai Simcom was classified as Key Production Enterprise and was entitled to adopt an applicable tax rate of 10%). The relevant annual tax rate used for PRC Enterprise Income Tax for the Group's subsidiaries ranged from 15% to 25% (six months ended 30 June 2015: 10% to 25%).

The provision of LAT is estimated according to the requirements set forth in the relevant tax laws and regulations of the PRC, which is charged at progressive rates ranging from 30% to 60% (six months ended 30 June 2015: 30% to 60%) of the appreciation value, with certain allowable deductions.

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7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging:		
Amortisation of intangible assets (included in cost of sales)	74,286	47,041
Less: Amount capitalised in development costs classified as intangible assets	(177)	(586)
	74,109	46,455
Amortisation of land use rights	1,578	1,477
Depreciation of property, plant and equipment	34,534	37,060
Less: Amount capitalised in development costs classified as intangible assets	(1,516)	(1,519)
	33,018	35,541
Staff costs including directors' emoluments	147,114	136,132
Share-based payments	1,452	1,452
Less: Amount capitalised in development costs classified as intangible assets	(62,612)	(48,577)
	85,954	89,007
Operating lease rentals in respect of land and buildings	4,795	4,294
Less: Amount capitalised in development costs classified as intangible assets	(1,434)	(756)
	3,361	3,538
Cost of inventories recognised as expense (included in cost of sales)	1,000,287	870,295
Cost of properties sold (included in cost of sales)	98,068	54,102
	1,098,354	962,392

INTERIM FINANCIAL STATEMENTS

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2016 and 2015.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	31,012	16,465
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,557,897	2,557,596
Effect of dilutive potential ordinary shares – share options	2,469	62,613
Weighted average number of ordinary shares for the propose of diluted earnings per share	2,560,366	2,620,209

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The computation of diluted earnings per share for the six months ended 30 June 2016 and 2015 did not assume the exercise of certain of the Company's share options because the exercise price of these options was higher than the average market price for both six month periods ended 30 June 2016 and 2015.

10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investment properties

The fair value of the Group's investment properties at 30 June 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not related to the Group.

The fair value was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions. The rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Shanghai. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. At the end of the reporting period, the chief financial officer of the Group works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

The fair value of investment properties as at 30 June 2016 is HK\$358,187,000 (31 December 2015: HK\$355,981,000) and a fair value gain of HK\$5,555,000 (six months ended 30 June 2015: HK\$290,000) have been recognised directly in profit or loss for the six months ended 30 June 2016.

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Property, plant and equipment

During the current interim period, additions to the Group's property, plant and equipment amounted to HK\$41,828,000 (six months ended 30 June 2015: HK\$7,339,000).

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$713,000 (six months ended 30 June 2015: HK\$15,713,000) for cash proceeds of HK\$nil (six months ended 30 June 2015: HK\$13,497,000), resulting in a loss on disposal of HK\$713,000 (six months ended 30 June 2015: HK\$2,216,000).

During the six months ended 30 June 2015, the Group recognised impairment loss of HK\$4,506,000 to its property, plant and equipment.

Intangible assets

During the current interim period, additions to the Group's intangible assets amounted to HK\$97,256,000 (six months ended 30 June 2015: HK\$79,602,000) including addition to development costs of HK\$97,246,000 (six months ended 30 June 2015: HK\$78,699,000) for development projects on the products.

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11. ASSET CLASSIFIED AS HELD FOR SALE/LIABILITY ASSOCIATED WITH ASSET CLASSIFIED AS HELD FOR SALE

As at 30 June 2016, the Group held 30% equity interest in Xian Helicopter Co., Ltd. ("Xian Helicopter"), a company registered in the PRC with carrying amount of HK\$27,119,000 (31 December 2015: HK\$27,384,000). The principal activity of Xian Helicopter is provision of industrial use helicopter services in the PRC.

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement with the existing major shareholder of Xian Helicopter to dispose of the Group's entire 30% equity interest in Xian Helicopter for a consideration of RMB26,160,000 which will be settled by three instalments. As at 30 June 2016, part of the consideration amounting to RMB20,950,000 (31 December 2015: RMB20,950,000) has been received by the Group and the remaining RMB5,210,000 (31 December 2015: RMB5,210,000) has not been settled. The transaction will be completed upon the receipt of the full consideration by the Group. As at 30 June 2016, the interest in Xian Helicopter of HK\$27,119,000 (31 December 2015: HK\$27,384,000) has been classified as asset classified as held for sale and the consideration received of HK\$24,574,000 (31 December 2015: HK\$24,805,000) has been classified as liability associated with asset classified as held for sale.

The sale proceeds exceed the carrying amount of the interest in Xian Helicopter and, accordingly, no impairment loss has been recognised.

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12. DEFERRED TAXATION

The followings are the major deferred tax (liabilities) assets recognised by the Group and the movement thereon during the current period:

	Development cost capitalised HK\$'000	Write-down of inventories and trade receivables HK\$'000	Impairment of property, plant and equipment HK\$'000	Revaluation of investment properties HK\$'000	Total HK\$'000
At 31 December 2015 (audited)	(9,830)	28,333	17,154	(53,698)	(18,041)
Exchange differences	240	(279)	(159)	510	312
Charge to profit or loss (Note 6)	(4,085)	-	-	(1,389)	(5,474)
At 30 June 2016 (unaudited)	(13,675)	28,054	16,995	(54,577)	(23,203)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Deferred tax assets	45,049	45,487
Deferred tax liabilities	(68,252)	(63,528)
	(23,203)	(18,041)

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13. ENTRUSTED LOAN RECEIVABLES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Carrying amount receivable based on maturity set out in the loan agreements		
Within one year	117,300	74,592
More than one year but less than two years	–	47,360
	117,300	121,952

As at 30 June 2016, the Group's wholly owned subsidiary, Shanghai Suncom Logistics Limited ("Suncom Logistics") had an entrusted loan agreement with Bank of Communications. Pursuant to the agreement, Suncom Logistics entrusted an aggregated amount of RMB30,000,000 (equivalent to approximately HK\$35,190,000) to a specific corporate borrower at an interest rate of 10% per annum. Bank of Communications acted as the trustee of the entrusted loan for a trustee fee of 0.1% per month. This entrusted loan will be matured in April 2017.

As at 30 June 2016, the Group's wholly owned subsidiary, Suncom Logistics had two entrusted loan agreements with China Fortune Securities Co. Ltd. ("China Fortune") and China Minsheng Banking Corp., Ltd. Shanghai Branch ("Minsheng Bank"). Pursuant to these agreements, Suncom Logistics entrusted an aggregated amount of RMB40,000,000 (30 June 2016: equivalent to approximately HK\$46,920,000; 31 December 2015: equivalent to approximately HK\$47,360,000) to a specific corporate borrower at an interest rate of 9.25% per annum. China Fortune acted as a manager to manage the entrusted loan for a management fee of 1.2% per annum and Minsheng Bank acted as the trustee of the entrusted loan for a trustee fee of 0.05% per month. These entrusted loans will be matured in April 2017.

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As at 30 June 2016, Suncom Logistics also had an entrusted loan agreement with Shanghai Pudong Development Bank. Pursuant to the agreement, Suncom Logistics entrusted an aggregated amount of RMB30,000,000 (30 June 2016: equivalent to approximately HK\$35,190,000; 31 December 2015: equivalent to approximately HK\$35,520,000) to a specific corporate borrower at an interest rate of 8.6% per annum. Shanghai Pudong Development Bank acted as the trustee of the entrusted loan for a trustee fee of 0.1% per month. This entrusted loan will be matured in August 2016.

As at 31 December 2015, the Group's wholly owned subsidiary, Simcom Wireless, had an entrusted loan agreement with Agricultural Bank of China. Pursuant to the agreement, Simcom Wireless entrusted an aggregated amount of RMB33,000,000 (equivalent to approximately HK\$39,072,000) to a specific corporate borrower at an interest rate of 10% per annum. Agricultural Bank of China acted as the trustee of this entrusted loan. Trustee fee of 0.05% per month is charged by Agricultural Bank of China. This entrusted loan matured in October 2015, and had been extended to April 2016 pursuant to an extension loan agreement signed during the year ended 31 December 2015. The entrusted loan has been fully settled during the period ended 30 June 2016.

As at 30 June 2016 and 31 December 2015, no entrusted loan receivables have been past due or impaired.

All the Group's entrusted loan receivables are denominated in RMB, which is the functional currency of the respective group companies.

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14. TRADE AND NOTES RECEIVABLES

The normal credit period given on sale of goods relating to handsets and solutions, display modules and wireless communication modules is 0-90 days. A longer period is granted to a few customers with whom the Group has a good business relationship and which are in sound financial condition. There is no credit given to sales of properties.

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30 days	173,300	169,379
31-60 days	74,006	75,372
61-90 days	42,872	26,913
91-180 days	10,341	3,688
Over 180 days	36,267	30,964
	336,786	306,316
Less: Accumulated allowances	(35,966)	(31,551)
Trade receivables	300,820	274,765
Notes receivables (<i>Note</i>)		
0-30 days	3,490	17,591
91-180 days	963	-
	4,453	17,591
	305,273	292,356

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

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15. TRADE AND NOTES PAYABLES

Trade and notes payables (other than for the construction of properties held for sale) principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 30-90 days.

Payables and accrued expenditure on construction of properties held for sale comprise construction costs and other project-related expenses which are payable based on project progress measured by the Group.

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

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
0-30 days	347,843	569,902
31-60 days	116,360	35,444
61-90 days	8,112	4,112
Over 90 days	15,797	18,943
	488,112	628,401

16. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND AN ASSOCIATE

Amounts due from/to non-controlling shareholders and an associate are unsecured, interest-free and repayable on demand.

INTERIM FINANCIAL STATEMENTS

17. BANK BORROWINGS

During the period, the Group obtained new short-term bank borrowings with total amount of HK\$159,570,000 (six months ended 30 June 2015: HK\$323,776,000). The bank borrowings carry variable interest ranging from 1.6% to 3.8% per annum (six months ended 30 June 2015: London Interbank Offer Rate plus a spread ranged from 1.0% to 3.6% per annum) and are repayable within one year. Pursuant to the loan agreements, the bank borrowings were secured by investment properties, property, plant and equipment, land use rights and bank deposits.

18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
<hr/>		
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2016 and 30 June 2016	3,000,000	300,000
Issued:		
At 1 January 2016 and 30 June 2016	2,557,897	255,790
<hr/>		

INTERIM FINANCIAL STATEMENTS

19. DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2015, the Group disposed of its 60% equity interest in 上海鼎希物聯網科技有限公司 (unofficial English name being Shanghai Dingxi Internet of Things Technology Limited) ("Shanghai Dingxi") at a total consideration of RMB4,000,000 to the non-controlling shareholder ("Purchaser") of Shanghai Dingxi ("Disposal"). The consideration will be satisfied by cash, of which (i) the first instalment of RMB1,200,000 will be settled at the date of the completion of the Disposal; (ii) the second instalment of RMB600,000 will be settled on the 90th day of the date of the completion of the Disposal; and (iii) the final instalment of RMB2,200,000 will be settled at the third anniversary date of the date of completion of the 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 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 30 June 2016, the unsettled consideration of RMB2,038,000 (30 June 2016: equivalent to approximately HK\$2,391,000, 31 December 2015: equivalent to approximately HK\$2,560,000) was recorded as consideration receivable in the condensed consolidated statement of financial position.

Gain on disposal of a subsidiary of HK\$2,191,000 was recognised to profit or loss during the six months ended 30 June 2015.

INTERIM FINANCIAL STATEMENTS

20. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within one year	1,659	3,553
In the second to fifth year inclusive	781	1,597
	2,440	5,150

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Within one year	29,746	26,500
In the second to fifth year inclusive	58,555	39,410
After five years	3,623	1,692
	91,924	67,602

INTERIM FINANCIAL STATEMENTS

21. COMMITMENTS

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Expenditure in respect of investment in an associate contracted for but not provided in the condensed consolidated financial statements	4,692	4,736
Expenditure in respect of properties under development for sale contracted for but not provided in the condensed consolidated financial statements	87,366	158,672

22. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2016, the capital injection of HK\$520,000 from non-controlling shareholders of certain non-wholly owned subsidiaries remained unsettled and included in amounts due from non-controlling shareholders of subsidiaries as at 30 June 2016. As at 30 June 2016, total unsettled capital injection due from non-controlling shareholders of subsidiaries amounted to HK\$2,694,000.

During the six months ended 30 June 2015, the Group recognised a government grant of HK\$14,681,000 to profit or loss, and the amount remained unsettled and included in other receivables, deposits and prepayments as at 30 June 2015. As at 30 June 2016, the amount remained unsettled and continued to be included in other receivables, deposits and prepayments.

During the six months ended 30 June 2015, the purchase consideration of property, plant and equipment amounting to HK\$4,800,000 remained unsettled and included in other payables, deposits received and accruals as at 30 June 2015.

INTERIM FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

During the six month period ended 30 June 2015, interest of HK\$775,000 was charged for the amount due to a director.

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short term benefits	2,928	3,221
Post-employment benefits	164	177
	3,092	3,398

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Long position in the shares of the Company

Name of Director	Nature of interest	Total number of ordinary shares of the Company	Underlying shares of the Company	Total	Approximate percentage of interest in the Company (note 3)
Mr Wong Cho Tung	Corporate interest (note 1)	1,209,084,000		1,209,084,000	47.27%
	Personal interest	3,098,000		3,098,000	0.12%
	Total			1,212,182,000	47.39%
Ms Yeung Man Ying	Corporate interest (note 2)	734,857,000		734,857,000	28.73%
	Personal interest	3,418,000		3,418,000	0.13%
	Total			738,275,000	28.86%
Ms Tang Rongrong	Personal interest	-	4,446,000	4,446,000	0.17%
Mr Chan Tat Wing Richard	Personal interest	-	5,382,000	5,382,000	0.21%
Mr Liu Hong	Personal interest	-	1,446,120	1,446,120	0.06%
Mr Liu Jun	Personal interest	1,000,000	936,000	1,936,000	0.08%

OTHER INFORMATION

Notes:

1. Mr Wong Cho Tung ("Mr Wong") controls more than one-third of the voting power of Info Dynasty Group Limited ("Info Dynasty"). Mr Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Both Intellipower Investments Limited ("Intellipower") and Simcom Limited ("Simcom (BVI)") are wholly-owned by Mr Wong and he is therefore deemed to be interested in all the 454,227,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) respectively in the Company by virtue of Part XV of the SFO respectively.
2. Ms Yeung Man Ying ("Mrs Wong"), the spouse of Mr Wong, controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty by virtue of Part XV of the SFO.
3. Calculation of percentage of interest in the Company is based on the issued share capital of 2,557,896,300 shares of the Company as at 30 June 2016.

As at 30 June 2016, save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' OR OTHERS' INTERESTS IN THE SECURITIES OF THE COMPANY

Based on the necessary enquiry by the Company, at 30 June 2016, the interests and short positions of other persons (other than Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Total number of ordinary shares of the Company	Approximate percentage of interest in the Company (note 1)
Info Dynasty (note 2)	Personal interest	734,857,000	28.73%
Intellipower (note 3)	Personal interest	454,227,000	17.76%

Notes:

1. Calculation of percentage of interest in the Company is based on the issued share capital of 2,557,896,300 shares of the Company as at 30 June 2016.
2. The relationship between Info Dynasty and Mr Wong and the relationship between Info Dynasty and Mrs Wong is disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Position in Shares" above.
3. The relationship between Intellipower and Mr Wong is disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Position in Shares" above.

Save as disclosed above, as at 30 June 2016, there is no other substantial shareholders or persons who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

OTHER INFORMATION

SHARE OPTIONS

The Company granted share options under the Post-IPO Share Option Scheme (“Post-IPO Options”) and the details of the Post-IPO Options granted to certain Directors and employees of the Group and movements in such holdings were illustrated below:

Category of participants	Name of scheme	Date of grant	Outstanding at 1 January 2016	Exercised during the period	Lapsed/ expired during the period	Outstanding at 30 June 2016
Directors						
Ms Tang Rongrong	Post-IPO	28.3.2008	936,000	-	-	936,000
	Post-IPO	3.9.2009	3,510,000	-	-	3,510,000
Mr Chan Tat Wing	Post-IPO	28.3.2008	1,872,000	-	-	1,872,000
	Richard	Post-IPO	3.9.2009	3,510,000	-	-
Mr Liu Hong	Post-IPO	13.11.2007	117,000	-	-	117,000
	Post-IPO	28.3.2008	393,120	-	-	393,120
	Post-IPO	3.9.2009	936,000	-	-	936,000
Mr Liu Jun	Post-IPO	3.9.2009	936,000	-	-	936,000
Sub-total			12,210,120	-	-	12,210,120

OTHER INFORMATION

Category of participants	Name of scheme	Date of grant	Outstanding at 1 January 2016	Exercised during the period	Lapsed/ expired during the period	Outstanding at 30 June 2016
Employees of the Group	Post-IPO	12.5.2006	2,363,400	-	(2,363,400)	-
	Post-IPO	13.11.2007	3,635,775	-	(93,600)	3,542,175
	Post-IPO	28.3.2008	12,667,005	-	(210,600)	12,456,405
	Post-IPO	3.9.2009	40,377,015	-	(1,678,950)	38,698,065
	Post-IPO	19.7.2013	17,213,000	-	-	17,213,000
Consultants	Post-IPO	19.7.2013	45,400,000	-	-	45,400,000
Sub-total			121,656,195	-	(4,346,550)	117,309,645
Total			133,866,315	-	(4,346,550)	129,519,765

Notes:

1. In relation to each grantee of the options granted on 12 May 2006 under Post-IPO Options, 25% of the options vested in each of the four calendar years from 1 January 2007. The exercise price per share is HK\$3.14 and the exercise period is 1 January 2007 to 11 May 2016.
2. In relation to each grantee of the options granted on 13 November 2007 under Post-IPO Options, 25% of the options vested in each of the four calendar years from 1 April 2008. The exercise price per share is HK\$1.40 and the exercise period is 1 April 2008 to 12 November 2017.
3. In relation to each grantee of the options granted on 28 March 2008 under Post-IPO Options, 25% of the options vested in each of the four calendar years from 15 April 2009. The exercise price per share is HK\$0.69 and the exercise period is 15 April 2009 to 27 March 2018.
4. In relation to each grantee of the options granted on 3 September 2009 under Post-IPO Options, 25% of the options vested in each of the four calendar years from 15 April 2010. The exercise price per share is HK\$0.68 and the exercise period is 15 April 2010 to 2 September 2019.
5. There was no share options granted during the reporting period.

OTHER INFORMATION

Other than as disclosed above, at no time during 1H-2016 was the Company or any of its subsidiaries a party to any arrangements that enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and save as disclosed in this report, none of the Directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during 1H-2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During 1H-2016, 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 Listing Rules for 1H-2016.

Code provision A.2.7 of the Corporate Governance Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Ms Yeung Man Ying, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable. Currently, the chairman of the Board may communicate with the non-executive Directors on a one-to-one or group basis periodically to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information.

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

OTHER INFORMATION

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 1 June 2016 ("2016 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 2016 AGM on behalf of the chairman of the Board pursuant to the bye-laws of the Company and was available to answer questions. Mr Liu Hing Hung, an independent non-executive Director and the chairman of the remuneration committee of the Board and the audit committee of the Board ("Audit Committee"), was also available at the 2015 AGM to answer questions from shareholders.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all Directors, that they have fully complied with the required standard as set out in the Model Code for 1H-2016.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and reviewed the unaudited condensed consolidated interim financial information of the Group for 1H-2016. In addition, the unaudited condensed consolidated interim financial information of the Group for 1H-2016 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu. The Audit Committee comprises all three independent non-executive Directors.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms YEUNG Man Ying (*Chairman*)

Mr WONG Cho Tung (*President*)

Ms TANG Rongrong

Mr CHAN Tat Wing, Richard

Mr LIU Hong

Mr LIU Jun (*Chief executive officer*)

Independent non-executive Directors

Mr LIU Hing Hung

Mr XIE Linzhen

Mr DONG Yunting

AUDIT COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr XIE Linzhen

Mr DONG Yunting

REMUNERATION COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr XIE Linzhen

Mr DONG Yunting

Mr Wong Cho Tung

COMPANY SECRETARY

Ms WONG Tik

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER AS TO HONG KONG LAW

LEUNG & LAU

PRINCIPAL BANKERS

Hang Seng Bank Limited

Bank of Communications

Shanghai Pudong Development Bank

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2000