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## SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the “Board”) of SIM Technology Group Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 together with the comparative figures for the corresponding period in 2007 as follow:

#### CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2008	2007
	Notes	HK\$'000	HK\$'000
		(audited)	(audited)
Revenue	3	2,988,617	2,896,996
Cost of sales		(2,604,750)	(2,486,378)
Gross profit		383,867	410,618
Other income		88,232	102,269
Research and development expenses		(95,235)	(98,156)
Selling and distribution costs		(80,505)	(71,897)
Administrative expenses		(99,355)	(85,635)
Impairment loss on available-for-sale investments		(23,900)	–
Finance costs	4	(1,167)	(576)
Profit before taxation		171,937	256,623
Taxation	5	(28,120)	(15,908)
Profit for the year	6	143,817	240,715
Dividends	7	83,462	204,375
Earnings per share (HK cents)	8		
Basic		9.5	15.9
Diluted		9.5	15.8

# CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b> <b>(audited)</b>	2007 <i>HK\$'000</i> <i>(audited)</i>
<b>Non-current assets</b>			
Investment properties		<b>16,396</b>	–
Property, plant and equipment		<b>291,406</b>	198,386
Land use rights		<b>77,909</b>	76,903
Intangible assets		<b>161,598</b>	181,591
Deferred tax assets		<b>3,410</b>	3,592
Available-for-sale investments		<b>36,866</b>	86,911
Deposit paid for land use right		<b>44,748</b>	42,372
		<b>632,333</b>	589,755
<b>Current assets</b>			
Inventories		<b>277,678</b>	520,252
Trade receivables	9	<b>232,420</b>	49,147
Notes and bills receivable	9	<b>18,129</b>	45,171
Other receivables, deposits and prepayments		<b>148,311</b>	130,446
Bank balances and cash		<b>623,388</b>	620,440
		<b>1,299,926</b>	1,365,456
<b>Current liabilities</b>			
Trade and notes payables	10	<b>352,092</b>	484,092
Other payables, deposits received and accruals		<b>207,971</b>	201,190
Tax payable		<b>22,868</b>	18,450
		<b>582,931</b>	703,732
Net current assets		<b>716,995</b>	661,724
Total assets less current liabilities		<b>1,349,328</b>	1,251,479
<b>Capital and reserves</b>			
Share capital		<b>151,749</b>	151,588
Reserves		<b>1,183,642</b>	1,093,413
Total equity		<b>1,335,391</b>	1,245,001
Non-current liability			
Deferred tax liabilities		<b>13,937</b>	6,478
		<b>1,349,328</b>	1,251,479

# 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. Its ultimate and immediate holding company is Info Dynasty Group Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacturing, design and development and sale of liquid crystal display (“LCD”) modules, mobile handset solutions and wireless communication modules and modems.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies of the Group.

## 2. Principal accounting policies

In the current year, the Group has applied the following amendments and interpretations (“new IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB which are or have become effective.

IAS 39 & IFRS 7 (Amendments)	Reclassification of financial assets
IFRIC 11	IFRS 2: Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs <sup>1</sup>
IAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
IAS 23 (Revised)	Borrowing costs <sup>2</sup>
IAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
IAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
IFRS 2 (Amendment)	Vesting conditions and cancellation <sup>2</sup>
IFRS 3 (Revised)	Business combinations <sup>3</sup>

IFRS 8	Operating segments <sup>2</sup>
IFRIC 13	Customer loyalty programmes <sup>4</sup>
IFRIC 15	Agreements for the construction of real estate <sup>2</sup>
IFRIC 16	Hedges of a net investment in a foreign operation <sup>5</sup>
IFRIC 17	Distribution of non-cash assets to owners <sup>3</sup>
IFRIC 18	Transfer of assets from customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1 July 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008.

<sup>6</sup> Effective for transfers on or after 1 July 2009.

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IFRS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

### 3. Business segments

The Group's business is currently organised into three revenue streams – sale of mobile handset solutions, sale of LCD modules and sale of wireless communication modules and modems. These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

#### *Income statement*

*For the year ended 31 December 2008*

	<b>Sale of mobile handset solutions HK\$'000</b>	<b>Sale of LCD modules HK\$'000</b>	<b>Sale of wireless communication modules and modems HK\$'000</b>	<b>Consolidated HK\$'000</b>
Revenue				
External sales	<u>1,728,823</u>	<u>453,338</u>	<u>806,456</u>	<u>2,988,617</u>
Result				
Segment result	<u>46,593</u>	<u>4,012</u>	<u>161,098</u>	211,703
Interest income				8,105
Unallocated corporate expenses				(22,804)
Impairment loss on available-for-sale investments				(23,900)
Finance costs				(1,167)
Profit before taxation				<u>171,937</u>
Taxation				(28,120)
Profit for the year				<u>143,817</u>

*Income statement*

*For the year ended 31 December 2007*

	Sale of mobile handset solutions <i>HK\$'000</i>	Sale of LCD modules <i>HK\$'000</i>	Sale of wireless communication modules and modems <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>1,797,001</u>	<u>461,477</u>	<u>638,518</u>	<u>–</u>	<u>2,896,996</u>
Result					
Segment result	<u>145,658</u>	<u>10,995</u>	<u>117,855</u>	<u>(268)</u>	274,240
Interest income					8,315
Unallocated corporate expenses					(25,356)
Finance costs					<u>(576)</u>
Profit before taxation					256,623
Taxation					<u>(15,908)</u>
Profit for the year					<u>240,715</u>

**4. Finance costs**

	<b>2008</b> <b><i>HK\$'000</i></b>	2007 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years	<u>1,167</u>	<u>576</u>

**5. Taxation**

	<b>2008</b> <b><i>HK\$'000</i></b>	2007 <i>HK\$'000</i>
The People's Republic of China (the "PRC") Enterprise Income Tax	<b>23,610</b>	18,025
Deferred tax charge (credit)	<b>4,510</b>	(2,117)
Income tax expense for the year	<u><b>28,120</b></u>	<u>15,908</u>

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

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

## 6. Profit for the year

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	2,163	1,920
Amortisation of intangible assets (included in cost of sales)	176,074	152,728
Amortisation of land use right	1,654	1,195
Depreciation of property, plant and equipment	32,563	26,044
Less: Amount capitalised in development costs	(5,897)	(3,262)
	<b>26,666</b>	<b>22,782</b>
Gain on disposal of property, plant and equipment	(49)	(112)
Allowances for bad and doubtful debts	3,598	747
Reversal of allowance for bad and doubtful debts	–	(2,526)
Write-down of inventories (included in cost of sales)	28,822	39,657
Costs of inventories recognised as expenses	2,390,629	2,307,945
Staff costs:		
Directors' emoluments	5,328	6,404
Other staff costs		
– Salaries and other benefits	202,008	184,238
– Retirement benefits scheme contributions	38,101	28,618
– Share-based payments	8,657	7,224
	<b>254,094</b>	<b>226,484</b>
Less: Amount capitalised in development costs	(98,343)	(76,355)
	<b>155,751</b>	<b>150,129</b>
Refund of VAT ( <i>Note</i> )	(50,792)	(42,594)
Government subsidies	(8,826)	(4,842)
Interest income earned on bank balances	(8,105)	(8,315)
Net foreign exchange gain	(20,509)	(46,518)

*Note:* Shanghai Simcom Limited, Shanghai Speedcomm Technology Limited and Shanghai Simcom Wireless Solutions Limited, being subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, it is entitled to a refund of VAT paid for sales of self-developed software in the PRC.

## 7. Dividends

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2007 Final dividend, paid – HK2.5 cents per share	37,937	–
2006 Final dividend, paid – HK10.5 cents per share	–	158,906
Interim dividend, paid – HK3.0 cents per share (2007: HK3.0 cents)	45,525	45,469
	<u>83,462</u>	<u>204,375</u>
Final dividend, proposed – HK1.0 cent per share (2007: HK2.5 cents) ( <i>Note</i> )	<u>15,175</u>	<u>37,897</u>

*Note:* The final dividend of HK1.0 cent (2007: HK2.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 8. Earnings per share

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year)	<u>143,817</u>	<u>240,715</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,517,374	1,514,190
Share options	–	9,276
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,517,374</u>	<u>1,523,466</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares in current year.

## 9. Trade receivables, notes and bills receivable

The following is an aged analysis of trade receivables, notes and bills receivable at the respective balance sheet dates:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-30 days	75,098	42,724
31-60 days	136,951	3,449
61-90 days	3,133	2,341
91-180 days	15,326	2,059
Over 180 days	12,396	5,116
	<hr/>	<hr/>
	242,904	55,689
Less: Accumulated allowances	(10,484)	(6,542)
	<hr/>	<hr/>
Trade receivables	<b>232,420</b>	<b>49,147</b>
	<hr/>	<hr/>
0-30 days	16,321	41,105
31-60 days	1,808	1,926
61-90 days	–	2,140
	<hr/>	<hr/>
Notes and bills receivable ( <i>Note</i> )	<b>18,129</b>	<b>45,171</b>
	<hr/>	<hr/>

*Note:* Notes and bills receivable represent the promissory notes issued by banks received from the customers.

## 10. Trade and notes payables

The following is an aged analysis of trade and notes payables at the respective balance sheet dates:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-30 days	256,996	304,937
31-60 days	22,053	104,602
61-90 days	17,077	51,147
Over 90 days	55,966	23,406
	<hr/>	<hr/>
	<b>352,092</b>	<b>484,092</b>
	<hr/>	<hr/>

## **PROPOSED FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK1.0 cent per share to shareholders whose names appear on the register of members of the Company on 7 May 2009. The register of members will be closed from 5 May 2009 to 7 May 2009, both days inclusive, and the proposed final dividend will be paid on or about 2 June 2009. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting (“AGM”).

## **CLOSURE OF REGISTER OF MEMBERS**

The Company’s register of members will be closed from 5 May 2009 to 7 May 2009 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the final proposed dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:00 pm on 4 May 2009.

## **ANNUAL GENERAL MEETING**

The AGM will be held at Room 3203, 32/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 7 May 2009. The notice of the AGM will be posted on the respective websites of the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and dispatched to the shareholders in due course.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **Business Review**

The year 2008 was a challenging and difficult year for every sector and for all players of the global handset industry. On top of Mainland China’s intensified competitive handset market and economic slow down in the second half of 2008, the Group is also faced with the negative impact of the financial turmoil. This sudden impact is unprecedented in speed and magnitude and is beyond our forecast and control. The business growth momentum prevailing in the first half of 2008 was hit by the drastic market downturn in the second half of the year. As a result, the Group’s overall performance in 2008 was seriously affected by these external factors.

Despite difficult business conditions, Group revenue for the year under review increased by 3.16% over the same period of the financial year 2007 to HK\$2,988.6 million. Further, the Group achieved unit shipment growth in all of the business segments especially in the overseas market. However, profit attributable to shareholders declined by 40.25% from HK\$240.7 million to HK\$143.8 million.

The Group’s profitability was primarily affected by the stock provisions for cancellation of international customer orders resulting from the impacts of drastic currency depreciation in their home countries and the default of some letter of credit (LC) contract obligations issued by some international banks on behalf of our customers, and the impairment provisions in relation to the Group’s investments in its major supplier totalling about HK\$23.9 million.

Despite the slowing global economy in the second half of 2008 affecting the momentum of the export sales, the Group's overall international business continued to grow substantially as the proportion of overseas revenue increased 110% over last year. This achievement was attributable to the business restructuring taken by the Group in 2007 together with its strong efforts to expand presence in overseas market over the years.

Against economic and market uncertainties, the Group, besides strong efforts on cost management and efficiency improvement, continued maintaining a strong liquidity position with debt-free and net cash balances amounting to HK\$623 million. This strong financial position allows the Group to strengthen its competitive position and also enable it to expand high value-added handset design service and original design manufacturer ("ODM") service offered to its China and international customers.

### **Mobile handset solutions**

Despite achieving another record year of handset solutions unit shipment with 39.59% growth from 2007 to 2008, mobile handset solution revenue declined slightly by 3.79% as compared with that of 2007. The decline was mainly as a result of the Group's business mix change with the revenue proportion of low average selling price ("ASP") products such as royalty base design service increased significantly over last year. The overall gross profit margin of mobile handset segment business declined to 8.01% in 2008 (11.85% in 2007). The decline was attributed to the substantial inventory provisions on the material loss resulting from cancellation of significant international customer orders.

In 2008, the Group continued deploying more R&D resources on the development of new solutions to offer handset design service and ODM service to the China and international customers. As a result, royalty base handset design service revenue and the full handset revenue increased by 12.8% and 5 times respectively over last year. The increase reflected the Group's strategy to change its product and business mix as to reduce its reliance on the domestic low-end market.

During the year under review, the TD-SCDMA handset and TD/CMMB TV handset developed by the Group won 14.75% and 60% respectively of the two tenders invited by China Mobile. Despite this achievement, the contributions of the TD business remained insignificant to the Group's revenue as there were no further rounds of TD-SCDMA handset tender after the Beijing Olympic Game.

Apart from the launch of the TD-SCDMA solutions for China Mobile, the Group successfully completed the first mobile handset design project for the largest Japan handset original equipment manufacturer ("OEM"). Additionally, the Group continued teaming up with major international and domestic brand customers and successfully unveiled a series of GSM/EDGE, TD-SCDMA and WCDMA/HSDPA handset solutions.

### **Wireless communication modules and modems**

Despite the global economic slow down, wireless module solutions achieved the 4th consecutive year of record unit shipment and revenue. The sales quantity and revenue from wireless modules and modems increased year-on-year by 41.88% and 26.3% respectively. The growth was mostly driven by the successful execution of global expansion and increase in PC related WAN application. With the tough

business environment, our “best value” product positioning and proven industry expertise are helping our expansion into new customers. We believe our momentum and financial strength will improve our competitiveness and further strengthen our position as a global wireless module solution provider.

### **LCD modules**

The revenue of the LCD segment business decreased slightly by 1.76% as compared to last year while the gross profit margin improved to 11.1% (2007:8.52%) and gross profit increased by 27.99% amounted to HK\$50.3 million (2007: HK\$39.3 million). These improvements were mainly attributable to our effective cost control and the high gross margin touch-panel sub-module in the LCD module.

### **Prospects**

Given the uncertainty arising from the financial turmoil, the global economy could slow down further in months and the global handset market would remain volatile. Yet the management believes that Mainland China’s macro-economy could recover from the financial turmoil at a pace faster than other countries, and the re-structuring of the China telecom operators in 2008 and the granting of the three 3G licenses in early 2009 will inevitably drive the growth of the domestic handset market substantially for 2009 and beyond. Besides, the Group has developed a full range of 3G products and solutions covering TD-SCDMA, WCDMA/HSDPA, and CDMA2000 standards, so the management believes the Group should be in a strong position to capture the growth in the PRC domestic handset market.

Despite the outlook of global handset market is still uncertain and remains to be challenging, we are optimistic about the growth of our international business. From our past experience, the ODM outsourcing business seemed to be on a growing trend in periods of economical crises and the management believes the global economic downturn could create immense business opportunities for the Group’s ODM services. In 2009, we intend to further strengthen and expand our engineering ability and resources to address the expecting increasing needs for ODM services. The Group’s international business strategy will continue to focus on expanding the handset design service to global leading handset OEMs and the ODM service to international brand customers and mobile operators.

Amid all economic difficulties, our future business has several promising trends. The management remains confident about the Group’s business future as our solid foundation and leadership position in 3G solutions development remain the key drivers for our future business growth. This, coupled with our effective cost control, strong financial position and ample liquidity will enable us to cope with the current financial turmoil and to facilitate future potential business ventures and opportunities.

## **FINANCIAL REVIEW**

### **Financial results**

For the year ended 31 December 2008, the Group’s revenue increased by 3.16% to HK\$2,988.6 million (2007: HK\$2,897 million) as compared with that of 2007. The Group achieved shipment growth in all of the business segments in 2008 which was resulting from the business expansion in international markets.

In light of the keen competition and margin erosion in the global mobile handset market, the gross profit of the Group decreased by 6.51% year-on-year to HK\$383.9 million (2007: HK\$410.6 million) for the year 2008 and the gross profit margin of the Group decreased to 12.84% in 2008 (2007: 14.17%).

The profit for the year of the Group dropped by 40.25% to HK\$143.8 million (2007: HK\$240.7 million) in 2008 as compared with that of 2007. This was mainly attributable to the impairment loss on the available-for-sale investment and the rise in profits taxation as a result of the China tax law reformation since 1 January 2008. The basic earnings per share for the year 2008 decreased by 40.25% year-on-year to HK9.5 cents (2007: HK15.9 cents).

### Research and development expenses

In 2008, the Group developed high performance products including TD-SCDMA TV handsets and WCDMA/HSDPA modems. The number of design and development team members was 754 (2007: 933) in 2008. The R&D expenses, which amounted to HK\$95.2 million (2007: HK\$98.2 million), represented about 3.19% (2007: 3.39%) of the Group's revenue.

### Selling and distribution costs

As the Group continued expanding its business development in international markets in 2008, the selling and distribution costs increased by 11.97% to HK\$80.5 million (2007: HK\$71.9 million). The ratio of the selling and distribution costs over revenue in 2008 was 2.69% (2007: 2.48%).

### Administrative expenses

In 2008, the Group's administrative expenses increased by 16.02% to HK\$99.4 million (2007: HK\$85.6 million), represented about 3.32% (2007: 2.96%) of the revenue. The increase was mainly attributable to the rise in staff costs and rental expenses.

### Segment results

	Year ended 31 December 2008				Year ended 31 December 2007			
	Revenue <i>HK\$'M</i>	Units shipped <i>'000</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %	Revenue <i>HK\$'M</i>	Units shipped <i>'000</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %
Mobile handset solutions	1,728.8	15,012	138.5	8.01%	1,797.0	10,754	212.9	11.85%
LCD modules	453.3	5,008	50.3	11.10%	461.5	4,811	39.3	8.52%
Wireless communication modules and modems	806.5	5,224	195.1	24.19%	638.5	3,682	158.4	24.81%
	<u>2,988.6</u>	<u>25,244</u>	<u>383.9</u>	<u>12.84%</u>	<u>2,897.0</u>	<u>19,247</u>	<u>410.6</u>	<u>14.17%</u>

## **Mobile handset solutions**

The revenue for the mobile handset solutions for 2008 decreased slightly by 3.79% year-on-year to HK\$1,728.8 million (2007: HK\$1,797 million), though the unit shipment recorded a growth of 39.59% as compared to that of 2007. This was mainly attributable to the change in sales mix with the revenue proportion from low ASP products such as royalties income increased significantly over last year. The gross profit margin for this segment dropped to 8.01% (2007: 11.85%) because of the substantial inventory provisions on the material loss resulting from cancellation of significant international customer orders. The Group has launched 200 (2007: 173) handset models and 37 (2007: 36) handset platforms in 2008.

## **LCD modules**

Driven by the significant growth in the application of the touch-panel screens in our LCD modules for which the sales contribution increased to about 14% of the total revenue of LCD modules as compared to about 4% in 2007, the gross profit margin for this segment for 2008 was improved to 11.1% (2007: 8.52%).

## **Wireless communication modules and modems**

The revenue and sales quantity of this segment increased substantially by 26.3% and 41.88% respectively as compared with those of 2007 and the growth was mainly driven by the successful execution of global expansion and increase in PC related WAN application. The gross profit ratio of this segment maintained at 24.19% (2007: 24.81%).

## **EMPLOYEES**

As at 31 December 2008, the Group had approximately 2,194 (2007: 2,499) employees. The Group operates a Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group. Total staff costs incurred by the Group amounted to HK\$254.1 million (2007: HK\$226.5 million) during the year 2008.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2008.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2008.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31 December 2008 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](http://www.sim.com)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The 2008 annual report will be dispatched to the shareholders and available on the above websites in due course.

## **APPRECIATION**

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

## **DIRECTORS**

As at the date of this announcement, the executive directors of the Company are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Wong Hei, Simon, Mr Zhang Jianping, Ms Tang Rongrong and Mr Chan Tat Wing, Richard, the non-executive directors of the Company are Mr Tsang Hen Loon, Raymond, Mr Wong Sun, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Zhuang Xingfang and Mr Xie Linzhen.

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

*This announcement contains certain forward-looking statements. The words “believe”, “intend”, “expect”, “anticipate”, “estimate”, “predict”, “is confident”, “has confidence” 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 Company operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.*

Hong Kong, 5 March 2009

\* *For identification purposes only*