



# SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the “Board”) of SIM Technology Group Limited (the “Company”) hereby announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>1,138,652</b>	1,507,322
Cost of sales		<b>(1,038,375)</b>	(1,299,385)
Gross profit		<b>100,277</b>	207,937
Other income		<b>8,304</b>	65,487
Recycling of gain on disposal of available-for-sale investments		<b>25,366</b>	–
Research and development expenses		<b>(34,297)</b>	(46,148)
Selling and distribution costs		<b>(32,158)</b>	(41,002)
Administrative expenses		<b>(42,711)</b>	(50,699)
Finance costs		<b>(1,735)</b>	(396)
Profit before taxation		<b>23,046</b>	135,179
Tax credit (charge)	4	<b>8,063</b>	(12,237)
Profit for the period	5	<b>31,109</b>	122,942
Earnings per share	7		
Basic		<b>HK2.0 cents</b>	HK8.1 cents
Diluted		–	HK8.1 cents

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit for the period	<b>31,109</b>	122,942
Other comprehensive income		
Exchange difference arising on translation to presentation currency	<b>6,556</b>	50,628
Change in fair value of available-for-sale investments	<b>25,366</b>	(50,114)
Reclassification adjustment – transfer to profit or loss on disposal of available-for-sale investments	<b>(25,366)</b>	–
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	<b>1,243</b>	–
Deferred tax on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	<b>(310)</b>	–
Other comprehensive income for the period (net of tax)	<b>7,489</b>	514
Total comprehensive income for the period	<b>38,598</b>	123,456

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2009</b> HK\$'000 <i>(unaudited)</i>	As at 31 December 2008 HK\$'000 <i>(audited)</i>
<b>Non-current assets</b>			
Investment properties		18,297	16,396
Property, plant and equipment		299,945	291,406
Land use rights		77,578	77,909
Intangible assets		138,951	161,598
Deferred tax assets		3,439	3,410
Available-for-sale investments		–	36,866
Deposit paid for land use right		48,844	44,748
		<b>587,054</b>	632,333
<b>Current assets</b>			
Inventories		507,137	277,678
Trade receivables	8	203,286	232,420
Notes and bills receivable	8	35,688	18,129
Other receivables, deposits and prepayments		147,982	148,311
Bank balances and cash		958,493	623,388
		<b>1,852,586</b>	1,299,926
<b>Current liabilities</b>			
Trade and notes payables	9	587,192	352,092
Other payables, deposits received and accruals		209,607	207,971
Tax payable		1,546	22,868
Bank borrowings		264,684	–
		<b>1,063,029</b>	582,931
<b>Net current assets</b>		<b>789,557</b>	716,995
<b>Total assets less current liabilities</b>		<b>1,376,611</b>	1,349,328
<b>Capital and reserves</b>			
Share capital		152,089	151,749
Reserves		1,211,816	1,183,642
		<b>1,363,905</b>	1,335,391
<b>Non-current liabilities</b>			
Deferred tax liabilities		12,706	13,937
		<b>1,376,611</b>	1,349,328

# NOTES TO THE CONDENSED 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 sale of liquid crystal display (“LCD”) modules, mobile handset solutions and wireless communication modules and modems.

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

## 2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2008, except for the accounting policy on borrowing costs as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations, (“new and revised IFRSs”) issued by International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are effective for the Group’s financial year beginning 1 January 2009.

IAS 1 (Revised 2007)	Presentation of financial statements
IAS 23 (Revised 2007)	Borrowing costs
IAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (Amendment)	Vesting conditions and cancellations
IFRS 7 (Amendment)	Improving disclosures about financial instruments
IFRS 8	Operating segments
IFRIC 9 & IAS 39 (Amendments)	Embedded derivatives
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for accounting periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. IAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The revised accounting policy has been applied prospectively and does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 “Segment reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 (see note 3).

The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs issued in 2008 <sup>1</sup>
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 <sup>2</sup>
IAS 27 (Revised in 2008)	Consolidated and separate financial statements <sup>1</sup>
IAS 39 (Amendment)	Eligible hedged items <sup>1</sup>
IFRS 1 (Amendment)	Additional exemptions for first-time adopters <sup>3</sup>
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions <sup>3</sup>
IFRS 3 (Revised in 2008)	Business combinations <sup>1</sup>
IFRIC 17	Distribution of non-cash assets to owners <sup>1</sup>
IFRIC 18	Transfer of assets from customers <sup>4</sup>

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

<sup>2</sup> Amendments that are effective for accounting periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

<sup>3</sup> Effective for accounting periods beginning on or after 1 January 2010.

<sup>4</sup> Effective for transfers on or after 1 July 2009.

The adoption of IFRS 3 (Revised in 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1 January 2010. IAS 27 (Revised in 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. Segment information

The Group has adopted IFRS 8 “Operating segments” with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Board, in order to allocate resources to segments and to assess their performance. The application of IFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss.

The Group 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 of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

Segment information about these businesses is presented below:

**Six months ended 30 June 2009**

	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>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>683,669</u>	<u>125,134</u>	<u>329,849</u>	<u>1,138,652</u>
Result				
Segment result	<u>(28,464)</u>	<u>(4,434)</u>	<u>46,026</u>	13,128
Recycling of gain on disposal of available-for-sale investments				25,366
Other income				3,345
Corporate expenses				(17,058)
Finance costs				(1,735)
Profit before taxation				<u>23,046</u>

**Six months ended 30 June 2008**

	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>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	<u>835,016</u>	<u>263,232</u>	<u>409,074</u>	<u>1,507,322</u>
Result				
Segment result	<u>60,211</u>	<u>821</u>	<u>83,973</u>	145,005
Other income				2,551
Corporate expenses				(11,981)
Finance costs				(396)
Profit before taxation				<u>135,179</u>

All of the segment revenue reported above is from external customers.

Segment result represents the financial result by each segment without allocation of recycling of gain on disposal of available-for-sale investments, other income, corporate expenses and finance costs. This is the measure reported to the Group's management for the purposed of resource allocation and assessment of segment performance.

#### 4. Tax credit (charge)

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Tax credit (charge) comprises:		
The People's Republic of China (the "PRC") Enterprise Income Tax		
– current period	(2,280)	(21,949)
– overprovision in prior periods ( <i>note</i> )	8,685	8,909
Deferred tax credit	1,658	803
	<u>8,063</u>	<u>(12,237)</u>

*Note:* The tax credit of HK\$8,685,000 (1 January 2008 to 30 June 2008: HK\$8,909,000) relates to additional tax deductions approved by the tax authority on research and development costs incurred in the prior periods by certain subsidiaries which were classified as "Hi-New Technology Enterprises".

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.

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

## 5. Profit for the period

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period is arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	<b>85,626</b>	82,603
Amortisation of land use rights	<b>830</b>	807
Depreciation of property, plant and equipment	<b>18,343</b>	15,235
Less: Amount capitalised in development costs classified as intangible assets	<b>(2,442)</b>	(1,770)
	<b>15,901</b>	13,465
Staff costs including directors' emoluments	<b>100,742</b>	142,181
Less: Amount capitalised in development costs classified as intangible assets	<b>(39,587)</b>	(51,668)
	<b>61,155</b>	90,513
Write-down of inventories (included in cost of sales)	<b>19,757</b>	33,914
Allowance for bad and doubtful debts	<b>4</b>	1,327
Government subsidies	<b>(1,257)</b>	(5,244)
Refund of Value Added Tax ("VAT") ( <i>Note</i> )	<b>(4,599)</b>	(32,500)
Interest income	<b>(1,515)</b>	(2,551)
Net foreign exchange loss (gain)	<b>1,027</b>	(23,917)
Rental income from investment properties (included in other income)	<b>(891)</b>	–
Less: Outgoings	<b>94</b>	–
	<b>(797)</b>	–

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

## 6. Dividend

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividend recognised as distribution – final dividend for year 2008 of HK1.0 cent (2008: HK2.5 cents for year 2007) per share	<b>15,175</b>	37,937

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK0.8 cent (1 January 2008 to 30 June 2008: HK3.0 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 18 September 2009.

## 7. Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period)	<b>31,109</b>	122,942
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,517,824</b>	1,517,257
Share options	–	8,209
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,517,824</b>	1,525,466

For the period ended 30 June 2009, the denominators used are the same as those detailed above for both basic and diluted earnings per share. No diluted earnings per share have been presented because the exercise prices of the Company's share options were higher than the average market price of the shares in the current period.

For the period ended 30 June 2008, weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has accounted for the effect of the share based payments for the options with dilutive effect.

## 8. Trade receivables and notes and bills receivable

The following is an aged analysis of trade receivables net of impairment losses and notes and bills receivable at the reporting date:

	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>184,525</b>	75,098
31 – 60 days	<b>15,036</b>	136,951
61 – 90 days	<b>1,729</b>	3,133
91 – 180 days	<b>1,687</b>	15,326
Over 180 days	<b>10,882</b>	12,396
	<b>213,859</b>	242,904
Less: Accumulated allowances	<b>(10,573)</b>	(10,484)
Trade receivables	<b>203,286</b>	232,420
0 – 30 days	<b>33,978</b>	16,321
31 – 60 days	–	1,808
61 – 90 days	<b>1,710</b>	–
Notes and bills receivable ( <i>Note</i> )	<b>35,688</b>	18,129

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

## 9. Trade and notes payables

The following is an aged analysis of trade and notes payables at the reporting date:

	<b>30 June 2009</b>	31 December 2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>505,177</b>	256,996
31 – 60 days	<b>53,171</b>	22,053
61 – 90 days	<b>15,757</b>	17,077
Over 90 days	<b>13,087</b>	55,966
	<hr/> <b>587,192</b> <hr/>	<hr/> 352,092 <hr/>

## MARKET AND BUSINESS REVIEW

The first half of 2009 (“1H-2009” or “1H09” or “reporting period”) was full of challenges resulted from global contracting economic environment under the impact of the global financial crisis, intense domestic handset market competition and China’s telecom industry reshuffling after the restructuring of China’s telecom industry and the issuance of the 3G licenses in early 2009. Nevertheless, business comes with challenges and opportunities. With the Group’s solid foundation and strong financial position, the management will overcome these challenges and convert them into future business opportunities.

Facing the downturn of the global handset market condition over the course of the financial crisis during the period under review, the Group’s overall performance was adversely affected by the contraction in handset demand, as well as declining average selling price of handset products and acute supply shortage of some key components. Nonetheless, despite the weak market sentiment and keen competitive environment, both the unit shipment and revenue of our full handset product continued to grow in 1H-2009, especially for the international market.

In response to the challenging market environment, the Group continued to maintain a tight headcount, expense and capital expenditure control approach. As a result, the Group continued to maintain a strong net cash position with balances amounting to over HK\$693.8 million (as at 31 December 2008: HK\$623.4 million).

### Mobile handset solutions

With persistent pressure of the domestic low-end market, the Group continued to execute the strategy of focusing our R&D resources to serve the high-end mobile handset demand of the domestic and international markets as to optimize our product and business mix. As a result, full handset unit shipments and revenue increased 73% and 67.5% respectively over the same period last year, especially for international sales. Additionally, after successfully completing the first ODM (original design manufacturer) project for the largest Japan handset OEM (original equipment manufacturer) in the second half of 2008, the Group commenced several new projects for this Japanese OEM in 1H-2009 covering 22 handset models developed under the TD-SCDMA, GSM and WCDMA based technology.

Despite the issuance of the 3G licenses to 3 major PRC telecom operators in early 2009, the revenue contributions of the 3G business remained small to the Group due to slower than expected 3G network build-out rate and relatively high monthly subscription fee during the period under review. However, the management is encouraged with recent forecast on the 3G network build-out and investments plans by all three major telecom operators and believes that these events may trigger a faster growth of the China's telecom industry for the next several years.

## **LCD Modules**

Facing persistent price-cutting pressure and the economic contraction environment, the revenue of the LCD segment business for 1H09 decreased by 52.46% as compared to last period while the gross profit margin improved slightly to 9.02%. The margin increase was primarily attributable to the high gross margin touch-panel sub-module.

## **Wireless communication modules and modems**

Overall wireless module industry has begun to recover in late 1H09 as the financial crisis became stable. Our wireless module business was able to keep pace with the overall industry growth. In 1H09, the Group has won several TD-SCDMA module tenders and was one of the main TD-SCDMA module suppliers for China Mobile selected terminal OEMs. However, the modem business, especially 3G modems, was faced with intense price competition. As a result, both the revenue and gross profit for the segment have decreased.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend for the six months ended 30 June 2009 of HK0.8 cent per share in cash (2008: HK3.0 cents per share) to shareholders whose names appear on the register of members of the Company on 18 September 2009. The interim dividend will be paid on or about 6 October 2009.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from 16 September 2009 to 18 September 2009, both days inclusive, during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 16 September 2009.

## **OUTLOOK**

The global handset industry was under severe pressure over the weak economic condition in the first quarter of 2009. However, overall handset market showed initial signs of recovery during the end of the period under review, resulting from improved consumer sentiment and steady economic growth under the economic policies of key nations around the world to stimulate consumer consumption, especially in the domestic handset market.

Looking forward to the second half of the year, there remains a lot of uncertainty in the future economic environment. Yet, the management believes that the domestic telecom industry reshuffling, the 3G network build-out plans and China's economic policy to stimulate domestic consumption will inevitably drive the growth of the domestic handset market for future years. Capitalizing on the Group's R&D development capability and its full range of 3G handset solutions covering TD-SCDMA, CDMA2000/EVDO and WCDMA/HSDPA standards, the management expects that the Group will be best positioned to take advantage of the growth in the 3G era.

With the impending 3G network commercial rollout in China, the management also anticipates that high-end handset demand such as smart phone will grow substantially riding on the growth of potential mobile internet users given China's large and growing internet user base. The Group will leverage its R&D development strength and continue to expand its resources on smart phone to cater for this new growth driver.

To drive growth for the Group besides the China market, the management will continue to focus on expanding the handset design service and wireless module solutions and products to global leading handset OEMs and mobile operators. Emerging markets will continue to be a key driver for growth of international business.

Amid all market uncertainties, the management remains confident that the Group is well placed to overcome the challenges ahead. The Group's solid foundation and leadership position in 3G solutions development coupled with our discipline in execution and strong financial fundamentals will enable us to improve our performance in the second half of the year and beyond.

## **FINANCIAL REVIEW**

### **Financial results**

For the six months ended 30 June 2009, the Group's revenue decreased by 24.46% to HK\$1,138.7 million (2008: HK\$1,507.3 million) as compared with that of first half of 2008 ("1H-2008"). The significant sales drop was attributable to the decrease in sales orders of the Group after the financial crisis.

The gross profit of the Group decreased by 51.78% to HK\$100.3 million (2008: HK\$207.9 million) for 2009 as compared to 1H-2008 while the gross profit margin decreased to 8.81% (2008: 13.8%). The profit for the reporting period decreased by 74.7% year-on-year to HK\$31.1 million (2008: HK\$122.9 million). The basic earnings per share decreased 75.31% year-on-year to HK2 cents (2008: HK8.1 cents).

## Segment results

	Six months ended 30 June							
	2009				2008			
	Revenue <i>HK\$'M</i>	Unit shipped <i>'000</i>	Gross profit <i>HK\$'M</i>	Gross profit margin <i>%</i>	Revenue <i>HK\$'M</i>	Unit shipped <i>'000</i>	Gross profit <i>HK\$'M</i>	Gross profit margin <i>%</i>
Mobile handset solutions	684	5,906	21	3.12%	835	7,117	85	10.11%
LCD modules	125	1,950	11	9.02%	263	2,569	22	8.41%
Wireless communication modules and modems	330	2,378	68	20.51%	409	2,400	101	24.78%
<b>Total</b>	<b>1,139</b>	<b>10,234</b>	<b>100</b>	<b>8.81%</b>	<b>1,507</b>	<b>12,086</b>	<b>208</b>	<b>13.80%</b>

### Mobile handset solutions

During the reporting period, the sales orders dropped significantly under the economic downturn, and as a result, the revenue for the mobile handset solutions decreased by 18.13% to HK\$683.7 million (2008: HK\$835 million) as compared with that of 1H-2008. The gross profit margin dropped to 3.12% (2008: 10.11%) which was attributable to the intensified price competition of the handset market. Furthermore, the proportion of amortisation cost of the R&D capitalisation as percentage of revenue increased in 1H-2009 as compared with that in 1H-2008. The Group has launched 118 handset models and 29 handset platforms during the reporting period (2008: 95 handset models, 22 handset platforms).

### LCD modules

The revenue and gross profit for LCD modules decreased dramatically by 52.46% and 49.01% respectively during the reporting period as compared to those in 1H-2008. The gross profit margin for LCD modules of the Group in 1H-2009 however improved slightly to 9.02% (2008: 8.41%) as compared to the same period last year because of the increase in sales of the high gross margin touch-panel sub-modules.

### Wireless communication modules and modems

The revenue and gross profit of the wireless communication modules and modems of the Group for 1H-2009 decreased by 19.37% and 33.27% respectively as compared with that for 1H-2008, while the gross profit margin dropped to 20.51% (2008: 24.78%). Both the decrease in revenue and gross profit margin for the segment was mainly attributed to the intense price competition on 3G modem. Wireless communication modules continued to keep pace with the industry growth.

## **Employees**

As at 30 June 2009, the Group had 2,311 (31 December 2008: 2,194) 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.

## **PURCHASE, SALES OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the reporting period.

## **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 during the reporting period.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company with all the directors, that they have fully complied with the required standard as set out in the Model Code for the reporting period.

## **AUDIT COMMITTEE**

The audit committee of the Company ("Audit Committee") has reviewed with management the accounting principles and practice adopted by the Group and discussed the auditing and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2009. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2009 have been reviewed by our auditor, Messrs. Deloitte Touche Tohmatsu, and an unqualified review report was issued. The Audit Committee comprises the three independent non-executive directors of the Company.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.sim.com](http://www.sim.com)) and The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The 2009 interim 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 reporting period.

## 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 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, 21 August 2009

\* *For identification purposes only*