SIM Technology

SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

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 2007 (the "current period") together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
		2007	2006
	Notes	***HK\$'000***	*HK\$'000*
Revenue		**1,112,927**	1,732,717
Cost of sales		**(963,484)**	(1,452,377)
Gross profit		**149,443**	280,340
Other income		**36,466**	41,635
Research and development expenses		**(30,727)**	(39,928)
Selling and distribution costs		**(29,763)**	(21,518)
Administrative expenses		**(38,325)**	(47,527)
Finance costs		**(576)**	(308)
Profit before taxation		**86,518**	212,694
Tax credit (charge)	*4*	**3,378**	(11,163)
Profit for the period	*5*	**89,896**	201,531
Dividends recognised as distribution	*6*	**158,906**	210,501
Earnings per share (HK cents)	*7*		
Basic		**5.9 cents**	13.4 cents
Diluted		**5.9 cents**	13.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2007 *HK$'000* (unaudited)	As at 31 December 2006 *HK$'000* (audited)
Non-current assets		
Property, plant and equipment	**167,799**	157,231
Land use right	**50,929**	10,484
Intangible assets	**107,469**	113,356
Deferred tax assets	**3,870**	3,031
Deposit paid for purchase of land use right	–	7,465
	330,067	291,567
Current assets		
Inventories	**357,218**	462,736
Trade receivables	**134,754**	110,307
Notes and bills receivable	**12,021**	18,787
Other receivables, deposits and prepayments	**95,228**	127,820
Bank balances and cash	**603,266**	822,696
	1,202,487	1,542,346
Current liabilities		
Trade payables	**338,335**	576,449
Other payables, deposits received and accruals	**96,780**	119,349
Taxation payable	**2,292**	10,284
	437,407	706,082
Net current assets	**765,080**	836,264
	1,095,147	1,127,831
Equity		
Share capital	**151,527**	150,833
Reserves	**934,934**	969,314
	1,086,461	1,120,147
Non-current liabilities		
Deferred tax liabilities	**8,686**	7,684
	1,095,147	1,127,831

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information and basis of preparation

The Company was incorporated in Bermuda as a limited company under the Companies Act 1981 of Bermuda (as amended) with limited liability. Its ultimate 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 the manufacturing, design, development and sales of liquid crystal display ("LCD") modules and components, mobile handset solutions and wireless communication module solutions.

The functional currency of the Company is Renminbi. The condensed financial statements are presented in Hong Kong dollar (HK$), as the Board considers that such presentation is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders.

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

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, the new standard, amendment and interpretations, ("new IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, which are effective for the Group's financial year beginning 1 January 2007.

IAS 1 (Amendment)	Capital disclosures[1]
IFRS 7	Financial instruments: Disclosures[1]
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies[2]
IFRIC 8	Scope of IFRS 2[3]
IFRIC 9	Reassessment of embedded derivatives[4]
IFRIC 10	Interim financial reporting and impairment[5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.
[5] Effective for annual periods beginning on or after 1 November 2006.

The adoption of these new IFRSs had no material effect on the results or 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 standards or interpretations that have been issued but are not yet effective.

IAS 23 (Revised)	Borrowing costs[1]
IFRS 8	Operating segments[1]
IFRIC 11	IFRS 2 – Group and treasury share transactions[2]
IFRIC 12	Service concession arrangements[3]
IFRIC 13	Customer loyalty programmes[4]
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum finding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

The Board anticipates that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Business segments

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

Sale of complete mobile handsets was reported as a separate segment in the prior accounting periods. Because of the shifting in demand of complete mobile handsets in the current period, it was no longer satisfied the quantitative threshold for segment reporting and hence not to report separately in the current period.

Segment information about these businesses is presented below:

Six months ended 30 June 2007

	Sale of mobile handset solutions *HK$'000*	**Sale of LCD modules and components** *HK$'000*	**Sale of wireless communication module solutions** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
External sales	**691,388**	**179,233**	**242,306**	**–**	**1,112,927**
Result					
Segment result	**35,655**	**5,236**	**47,580**	**(268)**	**88,203**
Unallocated other income					**10,071**
Unallocated corporate expenses					**(11,180)**
Finance costs					**(576)**
Profit before taxation					**86,518**
Tax credit					**3,378**
Profit for the period					**89,896**

Six months ended 30 June 2006

	Sale of mobile handset solutions *HK$'000*	Sale of LCD modules and components *HK$'000*	Sale of wireless communication module solutions *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	1,048,018	345,168	323,293	16,238	–	1,732,717
Inter-segment sales	–	4,536	–	–	(4,536)	–
	1,048,018	349,704	323,293	16,238	(4,536)	1,732,717
Result						
Segment result	139,035	33,067	41,294	2,299	–	215,695
Unallocated other income						11,959
Unallocated corporate expenses						(14,652)
Finance costs						(308)
Profit before taxation						212,694
Tax charge						(11,163)
Profit for the period						201,531

4. Tax credit (charge)

	Six months ended 30 June **2007** ***HK$'000***	2006 *HK$'000*
Tax credit (charge) comprises:		
The People's Republic of China (the "PRC") Enterprise Income Tax		
– current period	**(3,100)**	(11,908)
– overprovision in prior periods	**6,478**	2,403
Deferred tax charge	**–**	(1,658)
	3,378	(11,163)

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

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of intangible assets	**75,545**	33,576
Amortisation of land use right	**108**	108
Depreciation of property, plant and equipment	**12,638**	8,017
Less: Amount capitalised in development costs	**(1,555)**	(1,129)
	11,083	6,888
Staff costs including directors' emoluments	**86,980**	95,151
Less: Amount capitalised in development costs	**(37,518)**	(35,286)
	49,462	59,865
Write-down of inventories	**13,299**	4,430
(Reversal of) impairment recognised in respect of trade receivables	**(2,131)**	713
Government subsidies	**(348)**	(2,892)
Refund on Value Added Tax ("VAT") (Note)	**(16,728)**	(26,000)
Interest income	**(3,998)**	(5,448)
Net foreign exchange gain	**(14,870)**	(6,511)

Note: The Group's subsidiaries, Shanghai Simcom Limited and Shanghai Speedcomm Technology 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. Dividends

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distribution – HK10.5 cents (2006: HK14.0 cents) per share	**158,906**	210,501
Interim dividend, declared – HK3.0 cents (2006: HK6.8 cents) per share	**45,458**	102,439

7. **Earnings per share**

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

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**89,896**	201,531
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,512,641**	1,502,356
Share options	**11,104**	16,202
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,523,745**	1,518,558

Weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has been accounted for the effect of the share based payments for the options with dilutive effect.

BUSINESS REVIEW

Transformation of mobile handset solutions

The first half of 2007 was challenging for the global handset industry. The revenue and the gross profit margin for mobile handset were affected by the average selling price erosion even though the mobile handset demand remained steady. The management was well aware of the change of the market condition since the down cycle started in May 2006. During the second half of 2006 and the first half of 2007, the Group continued to invest its resources to speed up the research and development ("R&D") for new high performance mobile handset solutions. Together with our service capability, the Group targets to expand the high value added services to its global customers.

1 High margin and high performance mobile handset solutions development

In the first half of 2007, the Group continued to maintain a tight headcount and expense control strategy. The Group had kept the total number of staff within 2000 with continuous improvement in productivity and performance in all aspects. Also with an effective deployment of R&D resources during the current period, we had launched many new products with latest technologies into the market like China 3G TD-SCDMA dual mode solutions, Smartphone solutions and 3.5G HSDPA modem solutions. We also provided support to our international customers on new mobile handset projects development. As a result, the engineering resources deployed for mature products like feature phone for China market reduced.

2 High margin NRE and royalty income business development

The Group has allocated more resources to provide mobile handset design services to tier one handset OEM manufacturers in China and global handset OEM manufacturers. As a result, the Group's NRE (non-recurring engineering charge) and royalty income grew steadily during the current period. In 2006, the design service projects were mostly feature phone solutions for China market. In the first half of 2007, the handset projects have extended their coverage into high end China 3G TD solutions, WiFi solutions, Smartphone solutions and mobile-TV solutions. Overall, the average royalty income per mobile handset solution has increased and with those high end solutions design contracts signed in the first half of 2007, we believe our royalty income will keep to ramp in the near future.

3 Positioning the LCD module business for "touch panel" application

In the first half of 2007, the Group successfully developed touch screen products. This is critical to maintain a competitive cost structure for future touch screen display module business. The trend of using larger TFT screen with touch panel in future will help to improve the average selling price and gross profit margin for our LCD module business. However, there was a reduction in our LCD module unit price in the first half of 2007 as many Chinese customers began to source their own camera heads and speakers (which were originally the components of our LCD modules and were included in our average selling price of the LCD modules).

Continuous strengthening of wireless communication module business globally

The performance of our wireless communication module business unit was encouraging during the current period. Capitalising the strong global market share position, cost effectiveness stemming from standardisation of GSM/GPRS wireless communication modules and winning new designs in European industrial application market, compensated the drop in average selling price of the products. The year-on-year gross profit increased mainly due to the improvement of gross profit margin and the increase in sales volume.

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2007 of HK3.0 cents per share in cash (2006: HK6.8 cents per share) to shareholders whose names appear on the Register of Members of the Company on 21 September 2007 and will be paid on or about 28 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 19 September 2007 to 21 September 2007 (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 18 September 2007.

PROSPECTS

The management believes the growth of the global mobile handset demand will maintain steady in the coming years with a significant growth in the areas of newly developed technologies like WiFi combo solutions for FMC fix mobile convergent applications, China 3G TD-SCDMA, 3.5G WCDMA/HSDPA and Smartphone and mobile-TV handset.

During the current period, the management was delighted to have Mr Tony Li (CEO-China operation) joining us. Also, following the acquisition of Shanghai BaseCom Ltd in July 2007, we have Mr Edward Fu (GM for Shanghai BaseCom Ltd) and a team of 150 well-experienced engineers team joining our R&D family.

Together with our continuous increase in customers on a global scale, the management is optimistic about our business.

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2007, under the price pressure in the global and PRC wireless communications industry, as a result, the Group's revenue decreased 35.77% to HK$1,112.9 million (For the six months ended 30 June 2006 ("1H-2006"): HK$1,732.7 million; for the six months ended 31 December 2006 ("2H-2006"): HK$1,686.2 million) as compared with that of the same period last year.

The gross profit of the Group decreased 46.69% to HK$149.4 million (1H-2006: HK$280.3 million; 2H-2006: HK$223.7 million) for the current period. The gross profit margin dropped to 13.43% (1H-2006: 16.18%; 2H-2006: 13.26%) as compared to 1H-2006 because of the average selling price erosion of the mobile-handset solutions in the China market.

The profit for the period declined by 55.39% year-on-year to HK$89.9 million (1H-2006: HK$201.5 million; 2H-2006: HK$171.4 million) for the six months ended 2007. The basic earnings per share dropped 55.97% year-on-year to HK5.9 cents (2006: HK13.4 cents).

Segment results

	Six months ended 30 June							
	2007				2006			
	Revenue	**Unit shipped**	**Gross profit**	**Gross profit margin**	Revenue	Unit shipped	Gross profit	Gross profit margin
	HK$' M	***'000***	***HK$'M***	***%***	*HK$' M*	*'000*	*HK$'M*	*%*
Mobile handset solutions and others	**692**	**4,020**	**76**	**11.05**	1,064	3,539	182	17.07
LCD modules and components	**179**	**2,065**	**13**	**7.26**	345	2,470	43	12.74
Wireless communication module solutions	**242**	**1,441**	**60**	**24.76**	324	1,300	55	16.91
Total	**1,113**	**7,526**	**149**	**13.43**	1,733	7,309	280	16.18

Mobile handset solutions and others

For the first half of 2007, the Group shifted more R&D resources to high performance product development like China 3G, Mobile-TV and Smartphone handset solutions, which volume demands are expected to increase in the near future. As a result of reducing product development for feature phones market in China, the revenue for the mobile handset solutions during this transition period decreased by 35.04% to HK$691.4 million (1H-2006: HK$1,064.3 million; 2H-2006: HK$1,114 million) as compared with that of 1H-2006. The Group has launched 67 handset models and 17 handset platforms during the current period (1H-2006:125 handset models, 11 handset platforms; 2H-2006: 144 handset models, 18 handset platforms). The gross profit margin dropped to 11.05% (1H-2006:17.07%; 2H-2006: 12.73%) attributable to the continued pricing pressure on the feature phones.

LCD modules and components

In the first half of 2007, the average selling price of LCD modules dropped 37.88% as compared to that of 1H-2006 and the gross profit margin dropped to 7.26% (1H-2006: 12.74%; 2H-2006: 2.4%). These were primarily due to the sourcing of their own camera heads and speakers by our customers.

Wireless communication module solutions

In the current period, the effective cost management and international market expansion of the Group for the wireless communication business compensated the drop in average selling price of the products. Subsequently, the Group's gross profit margin for wireless communication module solutions maintained at 24.76% (1H-2006: 16.91%; 2H-2006: 32.41%), while the gross profit amounted to HK$60 million (1H-2006: HK$54.7 million; 2H-2006: HK$73.5 million).

USE OF PROCEEDS OF GLOBAL OFFERING

The Company issued 375 million shares at HK$1.7 per share in its global public offering in June 2005. The net proceeds after deducting the relevant expenses was approximately HK$598.2 million. During the first half of 2007, The Group utilised the above said proceeds of HK$10.8 million for the development of the latest mobile handset design solutions; HK$33.2 million for the development of the new chipset technology platforms and HK$15 million on for the operation of the new LCD panel back-end production and assembly line.

The balances of the proceeds have been placed in banks as short-term deposits as at 30 June 2007.

EMPLOYEES

As at 30 June 2007, the Group had 1,980 (31 December 2006: 1,903) employees. The Group operates a defined contribution 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 bonus to its employees by reference to individual performance and the performance of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the current 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 of the Listing Rules during the current period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practice adopted by the Group and discussed auditing, financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2007. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2007 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 results announcement is published on the websites of the Company (www.sim.com) and SEHK (www.hkex.com.hk). The interim report will be dispatched to the shareholders and will be available at the same 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 contribution throughout the 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 Tsang Hen Loon, Raymond, Mr Zhang Jianping, Mr Wong Hei, Simon, Mr Wong Sun and Ms Tang Rongrong and the independent non-executive directors of the Company are Mr Heng Kwoo Seng, Mr Wang Chengwei and Mr Zhuang Xingfang.

On behalf of the Board
SIM Technology Group Limited
Wong Hei, Simon
Director

Hong Kong, 30 August 2007

* *For identification purposes only*