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 2008

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 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
		2008	2007
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**1,507,322**	1,112,927
Cost of sales		**(1,299,385)**	(963,484)
Gross profit		**207,937**	149,443
Other income		**65,487**	36,466
Research and development expenses		**(46,148)**	(30,727)
Selling and distribution costs		**(41,002)**	(29,763)
Administrative expenses		**(50,699)**	(38,325)
Finance costs		**(396)**	(576)
Profit before taxation		**135,179**	86,518
Tax (charge) credit	*4*	**(12,237)**	3,378
Profit for the period	*5*	**122,942**	89,896
Dividends recognised as distribution	*6*	**37,937**	158,906
Earnings per share	*7*		
Basic		**HK8.1 cents**	HK5.9 cents
Diluted		**HK8.1 cents**	HK5.9 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2008 HK$'000 (unaudited)	As at 31 December 2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**264,944**	198,386
Land use rights		**81,265**	76,903
Intangible assets		**122,402**	122,663
Deferred tax assets		**3,834**	3,592
Available-for-sale investments		**42,661**	86,911
Goodwill		**58,928**	58,928
Deposit paid for purchase of land use right		**45,231**	42,372
		619,265	589,755
Current assets			
Inventories		**441,171**	520,252
Trade receivables	*8*	**180,516**	49,147
Notes and bills receivable	*8*	**39,240**	45,171
Other receivables, deposits and prepayments		**173,103**	130,446
Bank balances and cash		**703,255**	620,440
		1,537,285	1,365,456
Current liabilities			
Trade and notes payables	*9*	**485,320**	484,092
Other payables, deposits received and accruals		**182,517**	201,190
Tax payable		**17,795**	18,450
Bank borrowings		**126,868**	–
		812,500	703,732
Net current assets		**724,785**	661,724
		1,344,050	1,251,479
Capital and reserves			
Share capital		**151,749**	151,588
Reserves		**1,186,209**	1,093,413
Total equity		**1,337,958**	1,245,001
Non-current liabilities			
Deferred tax liabilities		**6,092**	6,478
		1,344,050	1,251,479

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 the 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. The condensed consolidated financial statements are presented in Hong Kong dollar ("HK$"), 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 consolidated 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 2007.

In the current period, the Group has applied, for the first time, the following new interpretations ("new 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 2008.

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 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 new, revised and amended standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate 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 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:

Six months ended 30 June 2008

	Sale of mobile handset solutions	**Sale of LCD modules**	**Sale of wireless communication modules and modems**	**Others**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
External sales	**835,016**	**263,232**	**409,074**	**–**	**1,507,322**
Result					
Segment result	**60,211**	**821**	**83,973**	**–**	**145,005**
Unallocated other income					**2,549**
Unallocated corporate expenses					**(11,979)**
Finance costs					**(396)**
Profit before taxation					**135,179**
Tax charge					**(12,237)**
Profit for the period					**122,942**

Six months ended 30 June 2007

	Sale of mobile handset solutions	Sale of LCD modules	Sale of wireless communication module solutions	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

4. Tax (charge) credit

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Tax (charge) credit comprises:		
The People's Republic of China (the "PRC") Enterprise Income Tax		
– current period	**(13,040)**	(3,100)
– overprovision in prior periods	**–**	6,478
Deferred tax credit	**803**	–
	(12,237)	3,378

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	
	2008	2007
	HK$'000	*HK$'000*
Profit for the period is arrived at after charging (crediting):		
Amortisation of intangible assets included in cost of sales	**82,603**	75,545
Amortisation of land use rights	**807**	108
Depreciation of property, plant and equipment	**15,235**	12,638
Less: Amount capitalised in development costs classified as intangible assets	**(1,770)**	(1,555)
	13,465	11,083
Staff costs including directors' emoluments	**142,181**	86,980
Less: Amount capitalised in development costs classified as intangible assets	**(51,668)**	(37,518)
	90,513	49,462
Write-down of inventories (included in cost of sales)	**33,914**	13,299
Allowance for (reversal of allowance for) bad and doubtful debts	**1,327**	(2,131)
Government subsidies	**(5,244)**	(348)
Refund of Value Added Tax ("VAT") *(Note)*	**(32,500)**	(16,728)
Interest income	**(2,551)**	(3,998)
Net foreign exchange gain	**(23,917)**	(14,870)

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. Dividends

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Dividends recognised as distribution-final dividend for year 2007 of HK2.5 cents (2007: HK10.5 cents for year 2006) per share	**37,937**	158,906

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK3.0 cents (1 January 2007 to 30 June 2007: HK3.0 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 18 September 2008.

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	
	2008	2007
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period)	**122,942**	89,896
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,517,257**	1,512,641
Share options	**8,209**	11,104
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,525,466**	1,523,745

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 normal credit period taken on sales of goods is 0-60 days. The following is an aged analysis of trade receivables and notes and bills receivable at the reporting date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
0-30 days	**162,794**	42,724
31-60 days	**1,560**	3,449
61-90 days	**1,075**	2,341
91-180 days	**16,918**	2,059
Over 180 days	**6,480**	5,116
	188,827	55,689
Less: Accumulated allowances	**(8,311)**	(6,542)
Trade receivables	**180,516**	49,147
0-30 days	**39,240**	41,105
31-60 days	**–**	1,926
61-90 days	**–**	2,140
Notes and bills receivable *(Note)*	**39,240**	45,171

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

9. Trade and notes payables

The nominal credit period taken for trade purchases is 30-60 days. The following is an aged analysis of trade and notes payables at the reporting date:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
0-30 days	**238,610**	304,937
31-60 days	**140,579**	104,602
61-90 days	**18,510**	51,147
Over 90 days	**87,621**	23,406
	485,320	484,092

BUSINESS REVIEW

The Group achieved satisfactory results with increased contributions from all facets of its business in the first half of the financial year of 2008 (the "period under review"). The Group posted another record of unit shipment of its mobile handset solution and wireless communication modules and modems businesses.

To combat the pressure in the domestic feature phone market price, the Group, during the period under review continued to reduce its reliance on the domestic low-end phone market by deploying more research and development ("R&D") resources to the development of new solutions to serve the mid to high-end mobile handset demand of the China and international markets. As a result, the Group sustained a performance growth momentum with gross profit margin remained steady at 13.8%.

The Group's international business continued to grow substantially in the first half of 2008 as the proportion of overseas revenue surged 244% over the same period last year. This achievement was attributable to the business re-structuring taken by the Group together with its strong efforts to expand presence in overseas market over the years.

Despite stiff competition and tremendous price pressure in the mobile handset market, the Group achieved over 30% growth of both revenue and net profit for the period under review reflected its successful re-positioning of its business strategy in early 2007, which turned around the Group's business significantly since the second half of 2007. The management believes this continuous performance growth trend in the first half of 2008 will be maintained in future.

Mobile handset solutions

The Group continued to perform well in the first half of 2008 with 77% growth of mobile handset solutions unit shipment over the first half of 2007 to 7.1 million. Apart from achieving significant increase in overseas unit shipment and revenue, encouraging growth was also recorded in respect of the demand in analog and digital mobile TV-handset solutions, pocket PC, HSDPA modem and HSDPA USB phone together with mobile handset design service revenue from large OEM (original equipment manufacturers) and international mobile operators.

During the period under review, the Group jointly developed a high-performance TD-SCDMA handset solution operates on the SKTC (Korea SK Telecom China) application platform. Additionally, the Group continued teaming up with the strategic partner, Philips, and successfully launched a series of GSM/EDGE, TD-SCDMA and WCDMA/HSDPA handset solutions.

Wireless communication modules and modems

Our wireless communication module and modem business achieved another record of unit shipment and revenue in first half of 2008. Its sales volume and revenue increased by 66.6% and 68.8% year-on-year respectively. The volume growth was driven by the higher adoption of cellular module and modem in M2M (machine-to-machine) applications in global markets.

LCD modules

The LCD module business was also encouraging in the first half of 2008 with revenue growth of 47% year-on-year. The revenue growth was attributable to the continuous demand of the touch-panel display module in mobile handset applications, which resulted in an improvement of gross profit margin from 7.26% to 8.41% in the period under review.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2008 of HK3.0 cents per share in cash (2007: HK3.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on 18 September 2008. The interim dividend will be paid on or about 24 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 16 September 2008 to 18 September 2008, 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 12 September 2008.

PROSPECTS

The management expects the growth of the global handset demand will remain steady in coming years. Nevertheless, the changes of recent restructuring of the China telecom operators, the increasing scale of 3G TD-SCDMA handset and network trails and the impending of issuance of the 3G license will create tremendous business opportunities and growth momentum for the Group. In June 2008, the TD-SCDMA handset developed by the Group won 14.75% of the tender invited by China Mobile Limited out of 19 competitors. One month later, the world's first TD-SCDMA TV handset developed by the Group further won 60% of another tender both invited by China Mobile Limited.

The management believes the international market will continue providing massive business opportunities to the Group by the strong demand growth of mobile handsets in Eastern Europe, Latin America and Middle-East countries and the handset solution design services to global leading handset OEMs. Recently, the Group commenced the first project with the largest Japan handset OEM and the second project is also under discussion. Additionally, the Group expects the first TD smart phone project, cooperated with one of leading handset OEM in Korea, will be launched in the third quarter of 2008.

We are optimistic about the Group's business future as we have established a solid foundation and strong R&D capabilities for sustained growth in a highly competitive market. This, coupled with the strong growth momentum of our international business will enable the Group to achieve robust performance in the years to come.

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2008 (the "reporting period" or "1H-2008"), the Group's revenue increased significantly by 35.44% to HK$1,507.3 million (for the six months ended 30 June 2007 ("1H-2007"): HK$1,112.9 million; for the six months ended 31 December 2007 ("2H-2007"): HK$1,784.1 million) as compared with that of 1H-2007. The China mobile handset industry is becoming more challenging but leveraging on the Group's high performance products and continuous increase penetration into overseas markets, the Group sustained a sales growth momentum as compared to 1H-2007.

The gross profit of the Group increased by 39.14% to HK$207.9 million (1H-2007: HK$149.4 million; 2H-2007: HK$261.2 million) for 1H-2008 as compared to 1H-2007 while the gross profit margin increased to 13.8% (1H-2007: 13.43%; 2H-2007: 14.64%).

The profit for the period increased by 36.76% year-on-year to HK$122.9 million (1H-2007: HK$89.9 million; 2H-2007: HK$150.8 million) for the reporting period. The basic earnings per share increased 37.29% year-on-year to HK8.1 cents (1H-2007: HK5.9 cents).

Segment results

	Six months ended 30 June							
	2008				2007			
	Revenue *HK$'M*	**Unit shipped** *'000*	**Gross profit** *HK$'M*	**Gross profit margin** *%*	Revenue *HK$'M*	Unit shipped *'000*	Gross profit *HK$'M*	Gross profit margin *%*
Mobile handset solutions	**835**	**7,117**	**85**	**10.11%**	692	4,020	76	11.05%
LCD modules	**263**	**2,569**	**22**	**8.41%**	179	2,065	13	7.26%
Wireless communication modules and modems	**409**	**2,400**	**101**	**24.78%**	242	1,441	60	24.76%
Total	**1,507**	**12,086**	**208**	**13.80%**	1,113	7,526	149	13.43%

Mobile handset solutions

During the reporting period, the revenue for the mobile handset solutions increased by 20.77% to HK$835 million (1H-2007: HK$691.4 million; 2H-2007: HK$1,105.6 million) as compared with that of 1H-2007. The increase was mainly driven by the significant increase in overseas sales which its revenue was over 5 times more than the same period last year. The gross profit margin dropped to

10.11% (1H-2007: 11.05%; 2H-2007: 12.34%) attributable to the fierce pricing pressure on the feature phones. The Group has launched 95 handset models and 22 handset platforms during the current period (1H-2007: 67 handset models, 17 handset platforms; 2H-2007: 106 handset models, 19 handset platforms).

LCD modules

The gross profit margin for LCD modules of the Group in 1H-2008 improved to 8.41% (1H-2007: 7.26%; 2H-2007: 9.32%) as compared to the same period last year. The improvement was mainly attributable to the increase application of the touch-panel screens in our LCD modules.

Wireless communication modules and modems

Attributable to the significant increase in market share in China and international markets, the revenue and gross profit of the wireless communication modules and modems of the Group for IH-2008 increased by 68.83% and 68.98% respectively as compared with that in 1H-2007, while the gross profit margin maintained at 24.78% (1H-2007: 24.76%; 2H-2007: 24.84%).

EMPLOYEES

As at 30 June 2008, the Group had 2,601 (31 December 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.

PURCHASE, SALES OR REDEMPTION OF SHARES

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 of 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. All directors have confirmed, following specific enquiry by the Company that they have fully complied with the required standard as set out in the Model Code for the period under review.

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 2008. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2008 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) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). The 2008 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 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, the non-executive directors of the Company are Mr Tsang Hen Loon, Raymond and Mr Wong Sun and the independent non-executive directors of the Company are Mr Heng Kwoo Seng, Mr Wang Chengwei and Mr Zhuang Xingfang.

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, 27 August 2008

* *For identification purposes only*