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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 together with the comparative figures for the corresponding period in 2008 as follow:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
	Notes	**2009**	2008
		HK$'000	*HK$'000*
		Audited	Audited
Revenue	3	**2,983,532**	2,988,617
Cost of sales		**(2,693,677)**	(2,604,750)
Gross profit		**289,855**	383,867
Other income	5	**74,877**	67,723
Other gains and losses	6	**27,406**	(3,342)
Research and development expenses		**(79,942)**	(95,235)
Selling and distribution costs		**(70,253)**	(80,505)
Administrative expenses		**(90,260)**	(99,404)
Finance costs	7	**(3,061)**	(1,167)
Profit before taxation		**148,622**	171,937
Taxation	8	**(15,002)**	(28,120)
Profit for the year	9	**133,620**	143,817
Profit for the year attributable to:			
Owners of the Company		**128,975**	143,817
Minority interests		**4,645**	–
		133,620	143,817
Earnings per share (HK cents)	11		
Basic and diluted		**8.5**	9.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	HK$'000	*HK$'000*
	Audited	Audited
Profit for the year	**133,620**	143,817
Other comprehensive income		
Exchange difference arising on translation to presentation currency	**6,319**	39,362
Change in fair value of available-for-sale investments	**25,366**	(53,271)
Impairment loss on available-for-sale investments	**–**	23,900
Reclassification adjustment – transfer to profit or loss on disposal of available-for-sale investments	**(25,366)**	–
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	**86,437**	11,882
Deferred tax liability on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	**(21,609)**	(2,971)
Other comprehensive income for the year (net of tax)	**71,147**	18,902
Total comprehensive income for the year	**204,767**	162,719

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
		Audited	Audited
Non-current assets			
Investment properties		**221,217**	16,396
Property, plant and equipment		**255,454**	291,406
Land use rights		**82,959**	77,909
Goodwill		**28,321**	–
Intangible assets		**179,469**	161,598
Deferred tax assets		**3,438**	3,410
Available-for-sale investments		**–**	36,866
Deposits paid for land use rights		**109,224**	44,748
		880,082	632,333
Current assets			
Inventories		**411,090**	277,678
Trade receivables	12	**141,555**	232,420
Notes and bills receivables	12	**75,173**	18,129
Other receivables, deposits and prepayments		**278,155**	148,311
Pledged bank deposits		**329,114**	–
Bank balances and cash		**532,276**	623,388
		1,767,363	1,299,926
Current liabilities			
Trade and notes payables	13	**516,167**	352,092
Other payables, deposits received and accruals		**262,732**	207,971
Bank borrowings		**271,123**	–
Tax payable		**15,841**	22,868
		1,065,863	582,931
Net current assets		**701,500**	716,995
Total assets less current liabilities		**1,581,582**	1,349,328
Capital and reserves			
Share capital		**152,871**	151,749
Reserves		**1,374,115**	1,183,642
Equity attributable to owners of the Company		**1,526,986**	1,335,391
Minority interests		**17,483**	–
Total equity		**1,544,469**	1,335,391
Non-current liability			
Deferred tax liabilities		**37,113**	13,937
		1,581,582	1,349,328

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 dollars, 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 ("Listing Rules") on The Stock Exchange of Hong Kong Limited 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. Application of new and revised International Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised 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 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
IFRIC 18	Transfers of assets from customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

Except as described below, the adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised 2007) Presentation of financial statements

IAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

IFRS 8 Operating segments

IFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 4) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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 consolidated financial statements.

3. Revenue

Revenue represents the amounts received and receivable for goods sold net of returns.

4. Business segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (IAS 14, Segment Reporting) required an entity to identify 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, nor has the adoption of IFRS 8 changed the basis of measurement of segment result, assets or liabilities.

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 the internal reports about components of the Group that are regularly revised by the executive directors in order to allocate resources to segments and to assess their performance.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2009

	Sale of mobile handset solutions *HK$'000*	**Sale of LCD modules** *HK$'000*	**Sale of wireless communication modules and modems** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Revenue					
External sales	**1,834,995**	**204,664**	**943,873**	**–**	**2,983,532**
Inter-segment sales	**–**	**44,096**	**–**	**(44,096)**	**–**
Total	**1,834,995**	**248,760**	**943,873**	**(44,096)**	**2,983,532**
Segment profit (loss)	**15,038**	**(11,828)**	**127,371**	**–**	**130,581**
Other income					**11,617**
Corporate expenses					**(19,894)**
Gain from changes in fair values of investment properties					**4,013**
Recycling of gain on disposal of available-for-sale investments					**25,366**
Finance costs					**(3,061)**
Profit before taxation					**148,622**

For the year ended 31 December 2008

	Sale of mobile handset solutions *HK$'000*	Sale of LCD modules *HK$'000*	Sale of wireless communication modules and modems *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	1,728,823	453,338	806,456	2,988,617
Segment result	46,593	4,012	161,098	211,703
Other income				8,105
Corporate expenses				(22,804)
Impairment loss on available-for-sale investments				(23,900)
Finance costs				(1,167)
Profit before taxation				171,937

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of recycling of gain on disposal of available-for-sale investments, gain from changes in fair values of investment properties, rental income, interest income, other income, corporate expenses and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

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

At 31 December 2009

	Sale of mobile handset solutions *HK$'000*	**Sale of LCD modules** *HK$'000*	**Sale of wireless communication modules and modems** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	**782,910**	**183,419**	**311,198**	**1,277,527**
Investment properties				**221,217**
Land use rights				**38,342**
Deferred tax assets				**3,438**
Deposits paid for land use rights				**109,224**
Other receivables, deposits and prepayments				**136,307**
Pledged bank deposits				**329,114**
Bank balances and cash				**532,276**
Consolidated assets				**2,647,445**
Segment liabilities				
– attributable to sale of LCD modules	**–**	**226,177**	**–**	**226,177**
– attributable to sale of wireless communication modules and modems	**1,989**	**–**	**–**	**1,989**
– attributable to operating segment other than sale of LCD modules *(note)*				**469,073**
				697,239
Other payables, deposits received and accruals				**81,660**
Bank borrowings				**271,123**
Tax payable				**15,841**
Deferred tax liabilities				**37,113**
Consolidated liabilities				**1,102,976**

At 31 December 2008

	Sale of mobile handset solutions	Sale of LCD modules	Sale of wireless communication modules and modems	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	528,203	188,977	179,256	896,436
Investment properties				16,396
Property, plant and equipment				116,679
Land use rights				66,490
Deferred tax assets				3,410
Available-for-sale investments				36,866
Deposits paid for land use rights				44,748
Other receivables, deposits and prepayments				127,846
Bank balances and cash				623,388
Consolidated assets				1,932,259
Segment liabilities				
– attributable to sale of LCD modules	–	90,234	–	90,234
– attributable to sale of wireless communication modules and modems	–	–	58	58
– attributable to operating segment other than sale of LCD modules *(note)*				402,670
				492,962
Other payables, deposits received and accruals				67,101
Tax payable				22,868
Deferred tax liabilities				13,937
Consolidated liabilities				596,868

Note: Liabilities attributable to operating segment other than sale of LCD modules represented payables to common suppliers of the operating segment other than sale of LCD modules, which cannot be allocated to the respective segments on a reasonable basis.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than investment properties, land use rights, pledged bank deposits, bank balances and cash, deposits paid for land use rights, deferred tax assets and other receivables, deposits and prepayments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

- all liabilities are allocated to operating segments other than other payables, deposits received and accruals, tax payable, bank borrowings and deferred tax liabilities. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Geographical information

The Group's revenue and non-current assets are substantially located in the People's Republic of China (the "PRC"), the country of domicile from which the group entities derive revenue and hold assets. Accordingly, no further analysis is presented.

5. Other income

	2009	2008
	HK$'000	*HK$'000*
Refund of VAT *(Note)*	**14,224**	50,792
Government subsidies	**47,108**	8,826
Interest income earned on bank balances	**5,157**	8,105
Rental income (Less: Outgoings of HK$402,000 (2008: nil))	**2,392**	–
Others	**5,996**	–
	74,877	67,723

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 Value Added Tax ("VAT") paid for sales of self-developed software in the PRC.

6. Other gains and losses

	2009	2008
	HK$'000	*HK$'000*
Recycling of gain on disposal of available-for-sale investments	**25,366**	–
Impairment loss on available-for-sale investments	**–**	(23,900)
(Loss) gain on disposal of property, plant and equipment	**(45)**	49
Net foreign exchange (loss) gain	**(1,928)**	20,509
Gain from changes in fair values of investment properties	**4,013**	–
	27,406	(3,342)

7. Finance costs

	2009 *HK$'000*	2008 *HK$'000*
Interests on borrowings wholly repayable within five years	**3,061**	1,167

8. Taxation

	2009 *HK$'000*	2008 *HK$'000*
PRC Enterprise Income Tax	**25,598**	32,519
Overprovision in PRC Enterprise Income Tax in prior years	**(8,771)**	(8,909)
Deferred tax (credit) charge	**(1,825)**	4,510
Income tax expense for the year	**15,002**	28,120

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.

9. Profit for the year

	2009 *HK$'000*	2008 *HK$'000*
Profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	**1,750**	2,163
Amortisation of intangible assets (included in cost of sales)	**156,946**	176,074
Amortisation of land use rights	**1,886**	1,654
Depreciation of property, plant and equipment	**38,680**	32,563
Less: Amount capitalised in development costs	**(4,756)**	(5,897)
	33,924	26,666
Allowances for bad and doubtful debts	**336**	3,598
Reversal of allowance for bad and doubtful debts	**(427)**	–
Write-down of inventories (included in cost of sales)	**14,601**	28,822
Costs of inventories recognised as expenses	**2,667,164**	2,566,703
Staff costs:		
Directors' emoluments	**4,613**	5,328
Other staff costs		
– Salaries and other benefits	**171,417**	202,008
– Retirement benefits scheme contributions	**34,322**	38,101
– Share-based payments	**8,764**	8,657
	219,116	254,094
Less: Amount capitalised in development costs	**(82,763)**	(98,343)
	136,353	155,751

10. Dividends

	2009	2008
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2008 Final dividend, paid – HK1.0 cent per share	**15,175**	–
2007 Final dividend, paid – HK2.5 cents per share	**–**	37,937
Interim dividend, paid – HK0.8 cents per share (2008: HK3.0 cents)	**12,173**	45,525
	27,348	83,462
Final dividend, proposed – HK2.2 cents per share (2008: HK1.0 cent) (Note)	**33,632**	15,175

Note: The final dividend of HK2.2 cents (2008: HK1.0 cent) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. Earnings per share

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**128,975**	143,817
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,520,869**	1,517,374

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

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares in both years.

12. Trade receivables, notes and bills receivables

The normal credit period taken on sales of goods is 0 to 90 days.

The following is an aged analysis of trade receivables, notes and bills receivables presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**94,140**	75,098
31 – 60 days	**6,764**	136,951
61 – 90 days	**14,118**	3,133
91 – 180 days	**564**	15,326
Over 180 days	**36,455**	12,396
	152,041	242,904
Less: Accumulated allowances	**(10,486)**	(10,484)
Trade receivables	**141,555**	232,420
0 – 30 days	**75,173**	16,321
31 – 60 days	–	1,808
Notes and bills receivables *(Note)*	**75,173**	18,129

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and age analysis of accounts and on management's judgment including creditworthiness and the past collection history of each client.

13. Trade and notes payables

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

	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**462,324**	256,996
31 – 60 days	**36,472**	22,053
61 – 90 days	**2,876**	17,077
Over 90 days	**14,495**	55,966
	516,167	352,092

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.2 cents per share to shareholders whose names appear on the register of members of the Company on 14 May 2010. The register of members will be closed from 12 May 2010 to 14 May 2010, both days inclusive, and the proposed final dividend will be paid on or about 8 June 2010. 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 12 May 2010 to 14 May 2010 (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 11 May 20010.

ANNUAL GENERAL MEETING

The AGM will be held at Room 3203, 32/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 14 May 2010. 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 financial year 2009 has been a challenging year with opportunities for the Group, given the global economic downturn. Nevertheless, the financial crisis has led the global handset industry reshuffle that not only enables OEMs to accelerate outsourcing for cost effective solution providers but also creates huge business opportunities for capable Chinese handset design houses and thereby further stimulates the growth of the domestic handset industry to provide handset products for both the export and local markets. After experiencing a very difficult operating condition in the first half of 2009, the Group showed encouraging performance improvement in the second half of 2009. Both revenue and profit in the second half of 2009 increased by over 60% and 200% respectively over the first half of 2009 and thereby recovering the Group's overall performance in the financial year of 2009. This demonstrates the Group's successful execution of its business strategy of providing high performance products and high value added handset solution services to its high quality demand customers. Through the successful re-positioning of the Group's business strategies, besides gaining international recognition and reputation for reliability from customers corresponding to the handset solutions in a number of large projects, the Group has acquired several large international customers and thereby strengthening the competitive edges of its ODM business to capture this future growing market segments.

The Group's overall revenue for the year 2009 was approximately HK$3 billion (2008: approximately HK$3 billion) which was about the same as last year's level, while the Group's overall gross margin was 9.72%, representing a decline of 3.12% as compared to 2008, which was 12.84%. This was mainly due to the severe price pressure of the 2G products coupled with lower revenue base in the first half of 2009. Despite the strong sales recovery in the second half of 2009, the profit attributable to the owners of the Company was reported at HK$129 million (2008: HK$143.8 million), representing a decline of 10.32% over last year. Nevertheless, the Group continued achieving the unit shipment and revenue growth of our handset solution and wireless module segments especially in the overseas market.

The Group is also encouraged to see signs of recovery in the export business in the second half of 2009. The Group's overall oversea revenue in the year 2009 grew by 29% over last year, representing approximately 28% of Group revenue compared to 21% in 2008. Growth of the oversea revenue was primary driven by higher sales of handset solution products especially the full mobile handsets.

In the financial year 2009, the Group, besides strong efforts on cash management and operating efficiency improvement, continued to maintain a strong and healthy financial position with net cash balances amounted to HK$590.3 million (31 December 2008: HK$623.4 million).

Handset solutions

The overall handset market showed positive signs of recovery during the second half of 2009. In year 2009, the Group achieved improved performance both in unit shipment and revenue of its mobile handset solution business over last year. Total handset solution unit shipment and revenue increased by about 2% and 6% respectively as compared to year 2008, indicating that the Group has been implementing its strategies effectively to serve the high-end mobile handset demand of the domestic and oversea markets as to optimise its product and business mix.

The Group's full handset solutions continued to grow substantially as both the unit shipment and revenue surged over 200% and 100% respectively over the financial year of 2008. The Group commenced over 20 new projects and completed a majority of them in 2009 for three global branded handset customers in Japan and Korea covering handset solutions developed under multiple 3G standards and smart phones which will be launched in 2010. This achievement was attributable to the devotion of the Group's strong R&D efforts and resources in the expansion of the ODM business. The management anticipates that the ODM business will continue to grow in contribution to the Group's overall performance in the near future. With regard to the oversea market expansion, the Group has made encouraging progress in further expanding its overseas sales into the emerging markets including India, Vietnam, Mexico, Russia and Eastern Europe.

Apart from the significant growth of the ODM business, the Group has also recorded high growth of smart phones solutions covering 2G and 3G based technologies. The unit shipment and revenue increased by over 300% and about 70% respectively over last year. Given the strong growth trend of smart phones in the handset market in coming years, the Group will further expand its smart phones product line, apart from the 2G platform to other 3G based technologies.

The Group's overall 3G revenue in 2009, contributed by both handset solutions and wireless modules, increased by over 78% as compared to 2008, representing approximately 15% of the Group revenue compared to 9% in 2008. Growth of the 3G revenue was driven by higher sales of 3G smart phones, 3G feature phones and TD-SCDMA wireless modules.

LCD modules

In 2009, the revenues and gross profits derived from the LCD module segment dropped by 54.85% and 62.66% respectively as compared to last year, attributing to the weak demand of the LCD modules in the first half of 2009. The overall gross profit margin for the LCD segment also decreased from 11.1% in the prior year to 9.18% in year 2009 because of the competitive pricing pressure depressed margins especially on the touch-panel sub-module. To maintain the competitive cost structure of the LCD business, the Group focused on the production of main LCD panels and de-emphasised on the whole modules assembly.

Wireless modules and modems

Overall wireless module segment which includes wireless modules and modems continued to grow in unit shipment and revenue. Segment revenue increased by 17.04% in 2009 compared to 2008. The growth in wireless module outpaced the growth in modems, and we believe this trend will continue. The average selling price of wireless modules increased slightly due to increased in mix of 3G (TD-SCDMA) modules offset by lower average selling price of 2.5G modules. The average selling price for modems were in line with the significant decline in the market. The gross margin percentage for wireless modules was slightly lower due to increase in mix of lower margin module sales. The gross margin percentage for modems was negatively impacted by declining average selling price. Therefore, overall gross margin percentage declined from 24.19% in 2008 to 18.41% in 2009. The mix of wireless modules and modems sold affect the average selling price of the wireless module segment and have a substantial impact on revenue and gross margin percentage.

INTELLECTUAL PROPERTY AND LICENSING

As a technology company, we are actively building our intellectual property portfolio. As of end of 2009, we have 742 patents granted and/or in application covering various areas in communication technology, mechanical design, and manufacturing know-how. Internally, our engineers are strongly encouraged to think out of the box and we have structured program to reward innovation. We believe that these patents are testimony of our engineering innovation and essential to our business growth. We intend to continue to develop and defend our patent portfolio to the full extent as justified.

Our products are designed to meet certain communication industry standards. As such we would be required to license certain technology from the respective technology owners which we would pay royalties. As of 2009, we have already concluded licensing with several key technology partners. We intend to continue such licensing negotiation as appropriate. However, decisions to develop in-house versus licensing are part of our on-going business practice.

MARKET OUTLOOK / PROSPECTS

In reference to recent economic data, the global economy appears to have gradually recovered from the financial crisis especially for Mainland China and Asia Pacific economy. The management expects that the domestic telecom operators' aggressive network roll-out efforts to develop their subscriber bases will inevitably drive the growth of the domestic handset market substantially for 2010 and beyond. The Group's R&D development capability and its full range of handset and wireless module solutions for multiple 3G standards will place the Group in a strong position to continue the recent growth momentum of its 3G business revenue and becoming one of the major drivers for the Group's overall performance growth in the future.

In addition, with the Group's continuous effort and investment in R&D, the Group has been awarded the "2009 CDMA Terminal Most Innovative Handset Design Award" organized by China Telecom Corporation in February 2010. This achievement sets the stage for closer cooperation between the Group and China Telecom during 2010.

To capture the rapid growth of the ODM market, the Group will further invest resources to strengthen its front-end and back-end handset solutions delivery platforms so as to enhance its ODM handset service capability. In fulfilling its high standard demand customers, the Group will focus on the enhancement of its material procurement efficiency and deepening its relationship with major suppliers so as to secure a stable supply of key components and thus strengthening its full handset product fulfillment lead time. Apart from this, the Group will also focus on enhancing the customer service process, product planning and operating processes, and thereby strengthening the competitive edges of the Group.

The smart phones has been a driving force to the handset industry in the past several years. Management anticipates that smart phones will continue to grow substantially riding on the development of the affordable smart phones will become the key entry point to internet access and multimedia application especially in the emerging market. The Group will leverage its R&D development strength and continue expanding its resources to explore more open-source smart phones operating system such as "Android" to cater for this new growth driver.

To drive further growth for the Group's oversea business, we will continue to devote efforts to expand to overseas market that provides opportunity for highly profitable growth, and emerging market will remain as the key driver for the growth of overseas revenue.

With the successful re-positioning of the Group's business strategy of providing high value added handset solution services to its global customers along with all the positive indicators from the global economy, the management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2010 and beyond. This coupled with Group's first-class R&D capabilities and healthy financial position will enable it to achieve robust performance in the coming years.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group's revenue was about the same as that of year 2008 and amounted at HK$2,983.5 million (2008: HK$2,988.6 million). The unit shipment and revenue of both mobile handsets and wireless communication modules and modems of the Group in year 2009 recorded growth while the sales of LCD modules dropped.

In year 2009, the gross profit of the Group decreased by 24.49% year-on-year to HK$289.9 million (2008: HK$383.9 million) for the year 2009 and the gross profit margin of the Group decreased to 9.72% (2008: 12.84%). The decreases were attributable to the severe price pressure against the 2G products coupled with the lower revenue base in the first half of 2009.

The profit attributable to the owners of the Company dropped by 10.32% to HK$129 million (2008: HK$143.8 million) in 2009 as compared with that of 2008. The basic earnings per share for the year 2009 decreased by 10.53% year-on-year to HK8.5 cents (2008: HK9.5 cents).

Research and development expenses

In 2009, the Group developed high performance products including 3G phones, smart phones, wireless modules and modems. The number of design and development team members was 845 (2008: 754) in 2009. The R&D expenses, which amounted to HK$79.9 million (2008: HK$95.2 million), represented about 2.68% (2008: 3.19%) of the Group's revenue.

Selling and distribution costs

The selling and distribution costs of the Group for year 2009 decreased by 12.73% to HK$70.3 million (2008: HK$80.5 million). The ratio of the selling and distribution costs over revenue in 2009 was 2.35% (2008: 2.69%).

Administrative expenses

With tightened and effective controls over operating expenses, the Group's administrative expenses for 2009 decreased by 9.2% to HK$90.3 million (2008: HK$99.4 million), representing 3.03% (2008: 3.33%) of the revenue.

Segment results

	Year ended 31 December 2009				Year ended 31 December 2008			
	Revenue	**Units shipped**	**Gross profit**	**Gross profit margin**	Revenue	Units shipped	Gross profit	Gross profit margin
	HK$'M	***'000***	***HK$'M***	***%***	*HK$'M*	*'000*	*HK$'M*	*%*
Mobile handset solutions	**1,835.0**	**15,362**	**97.3**	**5.30%**	1,728.8	15,012	138.3	8.00%
LCD modules	**204.6**	**3,466**	**18.8**	**9.18%**	453.3	5,008	50.3	11.10%
Wireless communication modules and modems	**943.9**	**5,334**	**173.8**	**18.41%**	806.5	5,224	195.0	24.19%
	2,983.5	**24,162**	**289.9**	**9.72%**	2,988.6	25,244	383.6	12.84%

Mobile handset solutions

In 2009, both the revenue and unit shipment for mobile handset solutions increased year-on-year by 6.14% to HK$1,835 million (2008: HK$1,728.8 million) and 2.33% respectively. The Group's implementation of its strategies to serve the mid to high-end mobile handsets effectively optimised the demand of its products and business mix both in the domestic and oversea markets. The gross profit margin for this segment dropped to 5.3% (2008: 8%) because of the substantial price pressure on 2G handset solutions while the 3G business remained insignificant to the Group. The Group has launched 152 (2008: 200) handset models and 52 (2008: 37) handset platforms in 2009.

LCD modules

In the first half of 2009, the demand in LCD modules was weakened under the global market recession and average selling price dropped significantly. As a result, the revenue and gross profit for LCD modules dropped by 54.85% and 62.66% respectively as compared with those of 2008, and the gross profit margin for this segment for 2009 was decreased to 9.18% (2008: 11.1%).

Wireless communication modules and modems

The revenue and sales quantity for wireless communication modules and modems increased by 17.04% and 2.11% respectively as compared with those of 2008 and the growth was mainly driven by the substantial increase in the sales of wireless modules. The gross profit margin for modems was decreased under the significant average selling price decline in the market, and as a result, the overall gross profit margin of this segment dropped to 18.41% (2008: 24.19%).

EMPLOYEES

As at 31 December 2009, the Group had approximately 2,560 (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. Total staff costs incurred by the Group amounted to HK$219.1 million (2008: HK$254.1 million) during the year 2009.

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 2009.

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 2009.

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 period under review.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practice adopted by the Group, discussed auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2009.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 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) and the Stock Exchange (www.hkexnews.hk). The 2009 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, 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, 17 March 2010

* *For identification purposes only*