SIM TECHNOLOGY GROUP LIMITED
晨訊科技集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 2000)

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2005

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2005 have been agreed by the Group's auditors. 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.

The board of directors (the "Board") of SIM Technology Group Limited (the "Company") hereby announces the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 (the "current year") together with the comparative figures for the corresponding year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

For The Year ended 31 December

	Notes	**2005**	2004
		HK$'000	*HK$'000*
Turnover		**2,719,585**	1,567,074
Cost of sales		**(2,276,848)**	(1,311,176)
Gross profit		**442,737**	255,898
Other income		**67,219**	31,469
Research and development expenses		**(79,584)**	(17,570)
Selling and distribution costs		**(42,569)**	(17,367)
Administrative expenses		**(74,802)**	(35,077)
Finance costs		**(4,516)**	(4,768)
Gain on disposal of a subsidiary		**–**	112
Profit before taxation		**308,485**	212,697
Taxation	*6*	**(13,424)**	(13,475)
Profit for the year	*7*	**295,061**	199,222
Attributable to:			
Equity holders of the parent		**290,662**	155,534
Minority interests		**4,399**	43,688
		295,061	199,222
Dividends	*8*		
Prior to the Reorganisation (as defined in note 1)		**181,435**	–
Final dividend proposed		**210,000**	–
Earnings per share (HK cents)	*9*	**22.10**	13.83

CONSOLIDATED BALANCE SHEET

As at 31 December

	Notes	2005 HK$'000	2004 HK$'000
Non-current assets			
Property, plant and equipment		**105,429**	76,274
Land use right		**10,334**	10,420
Intangible assets		**46,958**	25,319
Deferred tax assets		**2,586**	3,108
		165,307	115,121
Current assets			
Inventories		**402,409**	314,512
Trade receivables	10	**127,151**	60,704
Notes and bills receivable	10	**102,033**	114,525
Other receivables, deposits and prepayments		**85,137**	115,130
Tax recoverable		–	2,442
Pledged bank deposit		–	7,800
Bank balances and cash		**579,880**	198,652
		1,296,610	813,765
Current liabilities			
Trade payables	11	**332,389**	324,568
Other payables, deposits received and accruals		**91,921**	114,041
Amounts due to related parties		–	33,684
Amounts due to directors		–	79,141
Taxation payable		**4,812**	–
Bank borrowings	12	**9,615**	100,209
Other borrowings		–	33,302
		438,737	684,945
Net current assets		**857,873**	128,820
		1,023,180	243,941
Capital and reserves			
Share capital		**150,000**	15
Reserves		**869,872**	196,031
Equity attributable to equity holders of the parent		**1,019,872**	196,046
Minority interests		–	47,895
Total equity		**1,019,872**	243,941
Non-current liabilities			
Deferred tax liabilities		**3,308**	–
		1,023,180	243,941

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND GROUP REORGANISATION

General information

The Company was incorporated in Bermuda on 27 October 2004 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 ("Info Dynasty"), a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sales of liquid crystal display ("LCD") modules, complete mobile handsets, handset design solutions (in Semi Knock-Down ("SKD")/Complete Knock-Down ("CKD") form), and wireless communication module solutions.

Reorganisation

Pursuant to a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 3 June 2005 by issuing shares in exchange for the entire issued share capital of SIM Technology Group (BVI) Limited ("STG"). Details of the Reorganisation are set out in the Prospectus dated 21 June 2005.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 30 June 2005.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared in a manner consistent with pooling of interest and in accordance with the respective equity interests in the individual companies attributable to the common controlling shareholders.

2. PRESENTATION OF FINANCIAL STATEMENTS

The presentation currency of the financial statements of the Group was changed from Renminbi to Hong Kong dollars, which is the functional currency of the Company, during the current year. The directors consider that the change has resulted in a more appropriate presentation. Comparative amounts have been restated in Hong Kong dollars in order to achieve a consistent presentation.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Standards and Interpretations (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of the new IFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new IFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current accounting periods are prepared and presented.

The impact of the changes in accounting policies is discussed below. The impact on earnings per share is discussed in note 9.

Business combinations

In the current year, the Group has applied IFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of IFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with IFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and negative goodwill arising on acquisitions after 1 January 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. The change in accounting policy has had no impact to the financial statements and no prior year adjustment has been required.

IFRS 2 Share-based payments

In the current year, the Group has applied IFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of IFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group has applied IFRS 2 to share options granted on or after 1 January 2005. The effect of the changes in the accounting policy has resulted in the decrease of the net profit for the current year by approximately HK$6,670,000 (included in administrative expenses) being the recognition of share based payments for the current year, and a corresponding increase to share options reserve. The Company did not grant any option before 1 January 2005 and no prior year adjustment has been required.

The Group has not early applied, the following new standards and interpretations and amendments that were issued but are not yet effective:

IAS 1 (Amendment)	Capital disclosures[1]
IAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
IAS 21 (Amendment)	Net investment in foreign operation[2]
IAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
IAS 39 (Amendment)	The fair value option[2]
IAS 39 & IFRS 4 (Amendments)	Financial guarantee contracts[2]
IFRS 6	Exploration for and evaluation of mineral resources[2]
IFRS 7	Financial instruments: Disclosures[1]
IFRIC - INT 4	Determining whether an arrangement contains a lease[2]
IFRIC - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
IFRIC - INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment[3]
IFRIC - INT 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies[4]
IFRIC - INT 8	Scope of IFRS 2[5]
IFRIC - INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.
6 Effective for annual periods beginning on or after 1 June 2006.

The Group has considered these standards, interpretations and amendments but does not expect they will have material effect on how the results of the operations and financial position of the Group are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are initially measured at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisition")

A discount on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1 January 2005 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Negative goodwill arising on acquisitions before 1 January 2005 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Services provided are recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculating using tax rate that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the relevant lease terms. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government subsidies

Government subsidies are recognised as income when received and the conditions for the grants are met.

Retirement benefit costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided using the straight-line method to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual value.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land use rights

Land use rights comprise land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

Impairment of tangible and intangible assets (excluding goodwill and intangible assets with indefinite useful lives)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent to the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

– an asset is created that can be identified (such as software and new processes);
– it is probable that the asset created will generate future economic benefits; and
– the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

The Group's financial assets only comprise of loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, notes and bills receivable and other receivables and deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

The Group's financial liabilities are classified as other financial liabilities. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables, other payables, deposits and accruals and amounts due to related parties and directors are initially measured at fair values and subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Equity share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (Employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained earnings.

5. Business segments

The Group is currently organised into four revenue streams-sale of LCD modules and others, sale of wireless module solutions, sale of complete mobile handsets and sale of handset design solutions (in SKD/CKD form). These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

For the year ended 31 December 2005

	Sale of LCD modules and others *HK$'000*	**Sale of wireless module solutions** *HK$'000*	**Sale of complete mobile handsets** *HK$'000*	**Sale of handset design solutions (in SKD/ CKD form)** *HK$'000*	**Elimination** *HK$'000*	**Consolidated** *HK$'000*
Turnover						
External sales	**752,338**	**221,417**	**261,425**	**1,484,405**	**–**	**2,719,585**
Inter-segment sales	**185,095**	**–**	**–**	**–**	**(185,095)**	**–**
	937,433	**221,417**	**261,425**	**1,484,405**	**(185,095)**	**2,719,585**
Result						
Segment result	**41,515**	**21,667**	**45,169**	**214,592**	**–**	**322,943**
Unallocated other income						**16,667**
Unallocated corporate expenses						**(26,609)**
Finance costs						**(4,516)**
Profit before taxation						**308,485**
Taxation						**(13,424)**
Profit for the year						**295,061**

Inter-segment sales are charged at market prices.

For the year ended 31 December 2004

	Sale of LCD modules and others *HK$'000*	Sale of wireless module solutions *HK$'000*	Sale of complete mobile handsets *HK$'000*	Sale of handset design solutions (in SKD/ CKD form) *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Turnover						
External sales	537,898	120,350	142,904	765,922	–	1,567,074
Inter-segment sales	38,604	–	–	–	(38,604)	–
	576,502	120,350	142,904	765,922	(38,604)	1,567,074
Result						
Segment result	55,584	9,515	17,963	133,697	–	216,759
Unallocated other income						1,286
Unallocated corporate expenses						(692)
Finance costs						(4,768)
Gain on disposal of a subsidiary						112
Profit before taxation						212,697
Taxation						(13,475)
Profit for the year						199,222

Inter-segment sales are charged at market prices.

6. Taxation

	Year ended 31 December	
	2005 *HK$'000*	2004 *HK$'000*
The People's Republic of China (the "PRC") income tax	**9,594**	13,648
Deferred tax charge (credit)	**3,830**	(173)
Income tax expense for the year	**13,424**	13,475

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.

Pursuant to relevant laws and regulations in the PRC, the Company's PRC subsidiary, Shanghai Simcom Limited ("Shanghai Simcom") is entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. No provision for PRC income tax has been made for Shanghai Simcom for both periods as fiscal year ended 31 December 2004 is the first profit making year. Another subsidiary of the Company, Shanghai Suncom Logistics Limited ("Suncom Logistics") is entitled to use of a tax rate of 15% because it was registered in the area of Shanghai Wai Gao Qiao Free Trade Zone (上海外高橋保税區).

PRC income tax is calculated at 27% of estimated assessable profit of the Company's other PRC subsidiaries for both years.

7. Profit for the year

	Year ended 31 December 2005 HK$'000	2004 HK$'000
Profit for the year is arrived at after charging:		
Auditors' remuneration	**1,200**	274
Amortisation of intangible assets (included in cost of sales)	**42,190**	31,742
Amortisation of land use right	**282**	89
Depreciation of property, plant and equipment	**12,806**	5,698
Less: Amount capitalised in development costs	**(1,467)**	(818)
	11,339	4,880
Loss on disposal of property, plant and equipment	**454**	–
Allowances for bad and doubtful debts	**4,988**	749
Write-down of inventories (included in cost of sales)	**1,857**	18,552
Costs of inventories recognised as expenses	**2,119,751**	1,178,248
Staff costs:		
Directors' emoluments	**5,073**	556
Other staff costs		
– Salaries and other benefits	**104,961**	47,837
– Retirement benefits scheme contributions	**14,314**	6,450
	124,348	54,843
Less: Amount capitalised in development costs	**(20,692)**	(13,357)
	103,656	41,486

8. Dividends

	Year ended 31 December 2005 HK$'000	2004 HK$'000
Dividends paid by a subsidiary to its then shareholders prior to the Reorganisation *(Note)*	**181,435**	–
Dividends per share (HK cents) *(Note)*	**16.13**	–
The Company		
Final dividend proposed – HK14 cents (2004: Nil) per share	**210,000**	–

Note:

The board of directors of STG approved the payments of dividends amounting to US$6,401,000 (equivalent to approximately HK$49,927,000) to its then sole shareholder, Info Dynasty, in January 2005 and US$16,860,000 (equivalent to approximately HK$131,508,000) to Info Dynasty and Simon Limited in May 2005. Info Dynasty and Simcom Limited were the shareholders of STG before the Reorganisation which was completed on 3 June 2005.

The calculation of dividends per share were based on the assumption that the Reorganisation had been completed on 1 January 2005.

The final dividend of HK14 cents per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the parent of approximately HK$290,662,000 (2004: HK$155,534,000) and on 1,315,068,000 (2004: 1,125,000,000) weighted average number of ordinary shares in issue for the year.

The calculation of weighted average number of ordinary shares for the year ended 31 December 2005 and 2004 were based on the assumption that the Reorganisation had been completed on 1 January 2005 and 1 January 2004 respectively.

No diluted earnings per share has been presented for the year ended 31 December 2005 because the exercise price of the Company's options, after taken into account of the effect of share-based payment, was higher than the average market price for shares during the year.

Diluted earnings per share for the year ended 31 December 2004 was not disclosed as there were no potential ordinary shares outstanding during the year.

Impact of changes in accounting policy

Changes in the Group's accounting policies during the year are described in details in note 3. To the extent that those changes have had an impact on results reported for the year ended 31 December 2005, they have had an impact on the amounts reported for earnings per share. The following table summaries that impact on earnings per share:

	2005 Impact on earnings per share HK cents
Recognition of share-based payments as expenses	0.51

The changes in the Group's accounting policies during the year had no impact on results reported for the year ended 31 December 2004, hence they had no impact on the amounts reported for earnings per share.

10. Trade receivables, notes and bills receivable

The aging analysis of trade receivables, notes and bills receivable are as follows:

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
0–30 days	**103,373**	34,104
31–60 days	**19,465**	21,605
61–90 days	**4,765**	3,006
91–180 days	**3,589**	1,993
Over 180 days	**3,324**	6,232
	134,516	66,940
Less: Accumulated allowances	**(7,365)**	(6,236)
Trade receivables	**127,151**	60,704
0–30 days	**77,735**	91,300
31–60 days	**5,640**	10,906
61–90 days	**433**	12,319
91–180 days	**8,610**	–
Over 180 days	**9,615**	–
Notes and bills receivable *(Note)*	**102,033**	114,525

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

The directors consider that the carrying amounts of these financial assets approximate their fair values.

11. Trade payables

The aging analysis of trade payables is as follows:

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
0–30 days	**180,139**	132,476
31–60 days	**104,226**	83,936
61–90 days	**22,412**	31,133
Over 90 days	**25,612**	77,023
	332,389	324,568

12. Bank borrowings

	Year ended 31 December	
	2005	2004
	HK$'000	*HK$'000*
Bank borrowings due within one year		
Secured	**9,615**	24,738
Unsecured	**–**	75,471
	9,615	100,209

At 31 December 2005, bank borrowings of approximately HK$9,615,000 (2004: HK$24,738,000) were secured by notes receivable of the Group.

The entire bank borrowings are mainly denominated in Renminbi.

During the year, the bank borrowings were arranged at fixed interest rate and expose the Group to fair value interest rate risk. The average interest rate paid for the year was 4% (2004: 5%) per annum.

The directors estimate that the fair value of the Group's borrowings, by discounting their future cash flows at the market rate. The directors consider that the carrying amount of the borrowings approximates the fair values.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK14 cents per share to shareholders whose names appear on the Register of Members of the Company on 21 April 2006. The Register of Members will be closed from 18 April 2006 to 21 April 2006, both days inclusive, and the proposed final dividend will be paid on or about 28 April 2006. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 18 April 2006 to 21 April 2006 (both day inclusive), during such period no transfer of share will be registered. In order to qualify for the final 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 4:00 p.m. on 13 April 2006.

ANNUAL GENERAL MEETING

The annual general meeting 2006 ("AGM") will be held at Caine Room, 7/F, Conrad Hotel, 88 Queensway, Hong Kong on 21 April 2006 at 10:00 a.m.. The notice of the AGM will be published in South China Morning Post and Hong Kong Economic Times and despatched to shareholders on or about Thursday, 23 March 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Foundations laid

In 2005, the Group continued to expand its business and invested in business foundation development that includes the following:

1) *Building new wireless technology partnerships*

   In addition to our existing partnership with ADI/TTPCom, the Company invested and cultivated new core technology partnerships to strengthen and support our future product development in 2005, including, Mediatek (GSM/Multi-media Chip Set), Cambridge Positioning Systems Limited (Enhanced GPS and Matrix Positioning Systems for 2G and 3G Technologies), DaTang TD-SCDMA (China 3G technology).

2) *Expanding customer base*

   In 2005, we have successfully strengthened our relationships with leading Chinese handset companies including Ningbo Bird, Lenovo, and TCL. At the same time, we laid ground work for our European market development with a total of 4 mobile handset and wireless module solutions qualified by a leading European wireless operator. This diversified customer base enhanced the growth of the revenue stream throughout the year and at the same time provided a strong customer base to support the future business growth of the Group.

3) *Enriching product portfolio*

   In the current year, our customers successfully launched 152 handset models with different styles and functions. In order to satisfy the customers' demand for handset personalisation, our industrial design team has launched new casing designs from the traditional clam shell (flip) phone to bar phones, slide phones, semi-flip phones and slim phones. Our handset solutions also continued to stimulate market demand through introducing leading edge handset application features. In early 2005, we launched handset solutions with 1.3M pixel camera and MP3 function and in the third quarter of 2005 we introduced MPEG4 features into our solutions and by the end of 2005 we started promoting PDA-lite handset solution with touch screen, hand written recognition and 2.0M pixel camera. For the European market we have launched the 2.75G EDGE solution in the second half of 2005.

Finance and Investment

Maintaining a strong and sustainable financial performance has always been our business goal. In 2005, we continued to run the business with strong cash flow, with net cash generated from operation amounting to approximately HK$217.2 million. It is our intention to drive healthy business growth whilst maintaining a "net cash" from operation at the same time.

The management is sensitive to gross profit margin ("GP%") fluctuation in the handset industry and we always work hard to maintain a steady GP% model through continuously developing new technology and offering new services and new products. In 2005, we were able to keep the GP% at 16.28% which was flat year on year while the overall turnover of the Group and net profit grew at 73.55% and 86.88% respectively.

The inventory turnover improved by 18.57% compared to 2004 and was running at 57 days of inventory at the year end. Again, our goal is to achieve continuous improvements and create best value and return on the inventory that we planned and invested to serve our customers' needs.

BUSINESS OUTLOOK

1) *International Business Expansion*

   Within 2005, the Company has established an international team of sales, marketing and field engineering staff to develop and launch four wireless solutions in Europe. In our new technology roadmap we have invested in ultra low cost handset solution for developing countries, EDGE/WiFi dual mode handset solution for high end market and of course the 3G WCDMA/HSDPA modem for PCMCIA application. All the above are aimed at expanding our business in the international market place in future. The first pilot run order of ultra low cost handset solution of 40,000 units has been received from our Brazil's customer recently.

2) *"Speedcomm" – Second R&D company launched*

   In the past few years, the Group's business has been growing at a very fast pace. Our R&D organisation has also grown over 50% a year in size in term of number of R&D engineers, in order to maintain high productivity and create technology specialty within the Group. At the end of 2005, our second R&D company, Shanghai Speedcomm Technology Limited ("Speedcomm") was incorporated in Shanghai with Mr Fan Li Ming as the General Manager. The engineering team of Speedcomm comprised of experienced engineers of the Group as well as newly recruited engineers. Each of Shanghai Simcom and Speedcomm will host different technology platforms and develop various competitive solutions to enhance our product portfolio.

3) *China TD-SCDMA 3G technology*

   In April 2005, we started working with Da Tang on developing the latest China 3G TD-SCDMA handset solutions. The Company and Da Tang will set up a joint laboratory in our Shanghai Simcom R&D building and we aim to release the first commercial TD-SCDMA/GSM dual mode handsets solution in year 2006.

4) *Expanding Service portfolio*

   Besides functioning as a design solution company, the Group has been innovative on creating various service models to cope with various customers' needs. Through different partnerships, we have been providing design and material bundling service, ODM type of design and manufacturing services, and recently through a three party agreement with our EMS and channel distributor partners. We are offering a unique "one-stop-shop" handset design, manufacturing and distribution services in China to help global handset brand owners to penetrate the China market.

PROSPECTS

The management believes the total global mobile handset demand will maintain steady growth in coming years. In new technologies like 2.75G EDGE/WiFi, 3G WCDMA/HSDPA & TD-SCDMA, the management believes the growth will be much significant. Together with our continuous expansion of customer bases from China to Europe to Latin America, the management is optimistic about our business future.

FINANCIAL REVIEW

Financial results

For the year ended 31 December 2005, the Group's turnover increased substantially by 73.55% to HK$2,719.6 million (2004: HK$1,567.1 million) as compared with the year 2004. This was mainly due to the strong sales growth in all business segments of the Group.

The Group maintained a stable overall gross profit margin of 16.28% (2004: 16.33%) throughout the year 2005. This was mainly due to the sale of mobile handsets and handset design solutions (in SKD/CKD form) maintained a steady gross profit margin, the sale of wireless module solutions improved its gross profit margin which was offset by the lowered gross profit margin of the sale of LCD modules.

The Group achieved a profit attributable to shareholders of HK$290.7 million (2004: HK$155.5 million) for the year 2005, representing a significant growth of 86.88%. The basic earnings per share for the year 2005 increased by 59.8% year-on-year to HK22.1 cents (2004: HK13.83 cents).

Research and development expenses

The Group further strengthened its design and development capabilities by investing more engineering resources and recruiting additional experienced engineers in 2005. The design and development team members increased to 580 (2004: 372) in 2005. The research and development expenses also increased to 2.93% of the overall turnover of the Group (2004: 1.12%) in 2005, amounting to HK$79.6 million (2004: HK$17.6 million).

Selling and distribution costs

For the year 2005, the overall selling and distribution costs increased resulted from the Group's expanded operations. The technical supports relating to the overseas market also increased during the year 2005. As a result, the selling and distribution costs increased to 1.57% of the overall turnover of the Group (2004: 1.11%).

Administrative expenses

For the year 2005, the Group's administrative expenses was HK$74.8 million (2004: HK$35.1 million), representing 2.75% (2004: 2.24%) of the overall turnover. The increase was mainly due to the establishment of the head office in Hong Kong, the employment of more senior executives and professional fees incurred to fulfill the listing compliance requirements.

In addition, the Group recognised a share-based payment of HK$6.7 million for the share options granted by the Company to its employees in May 2005, in accordance to the newly applied International Financial Reporting Standards 2 "Share-based Payment".

Segment results

	Year 2005				Year 2004			
	Turnover *HK$'M*	**Units shipped** *'000*	**Gross profit** *HK$'M*	**Gross profit margin**	Turnover *HK$'M*	Units shipped *'000*	Gross profit *HK$'M*	Gross profit margin
Handset design solutions (in SKD/CKD form)	**1,484.4**	**4,245**	**283.5**	**19.10%**	765.9	1,846	153.4	20.02%
Complete mobile handsets	**261.4**	**325**	**51.4**	**19.67%**	142.9	170	21.6	15.14%
LCD modules and others	**752.3**	**4,443**	**70.9**	**9.43%**	537.9	5,357	68.3	12.69%
Wireless module solutions	**221.5**	**992**	**36.9**	**16.67%**	120.4	348	12.6	10.47%
Total	**2,719.6**	**10,005**	**442.7**	**16.28%**	**1,567.1**	**7,721**	**255.9**	**16.33%**

Complete mobile handsets and handset design solutions (in SKD/CKD form)

The revenue for the complete mobile handsets and handset design solutions (in SKD/CKD form) for the year 2005 increased by 92.1% to HK$1,745.8 million (2004: 908.8 million) compared with the year 2004. The Group successfully held the gross profit margin to 19.18% (2004: 19.26%) under the strong sales volume growth momentum by launching 152 new design solutions under 11 different mother board platforms in year 2005.

LCD modules and others

During the year 2005, the Group migrated the LCD display modules technology from CSTN to TFT in order to support our new multi-media and PDA handset solutions. The average selling price of the LCD modules increased significantly. As a result, the gross profit for this sale segment increased 3.81% to HK$70.9 million (2004: 68.3 million) though the sales volume decreased 17.06% in year 2005 compared with the previous year.

Wireless module solutions

During the year 2005, the PRC government increased investment in communication facilities in rural areas through the use of wireless phone booths solutions which stimulated the demand of wireless module solutions in China. Taking advantage of this opportunity, the revenue for the sale of wireless module solutions for the year 2005 increased 83.98% as compared with the year 2004 and the gross profit margin also improved substantially to 16.67% (2004: 10.48%).

Use of Proceeds of Global Offering

The Company issued 375 million shares of HK$1.7 per share by way of Global Offering (as defined in the Prospectus) in June 2005. The net proceeds after deducting the relevant expenses was approximately HK$598.2 million.

During the year 2005, the Group utilised the above proceeds in accordance with that disclosed in the Prospectus, namely, HK$6.2 million for the development of 3G mobile handsets; HK$113.49 million to repay the bank and other borrowings; HK$3.3 million for the acquisition of the new LCD panel back-end production and assembly line; and HK$5.2 million for the establishment of the new design and development centre.

The balances of the proceeds were placed in banks as short-term deposits as at 31 December 2005.

EMPLOYEES

As at 31 December 2005, the Group had 1,971 (31 December 2004: 1,185) 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 regulation of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group.

The Board believes that the Group's employees are among the most valuable assets of the Group and have contributed to the success of the Group. The Group provides in-house training for its employees to enhance their knowledge in relation to their job.

The Company has adopted option schemes. A summary of the principal terms and conditions of the option schemes are set out in sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix V to the Prospectus.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The ordinary shares of the Company has been listed on the Stock Exchange since 30 June 2005. Pursuant to the Prospectus, 375,000,000 shares were issued at the offer price of HK$1.70 per share under the Global Offering (as defined in the Prospectus).

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the current year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was only listed on the Stock Exchange on 30 June 2005. For the remaining period since the listing of the Company's shares on the Stock Exchange covered by the annual report, the Company and its directors confirm, to their best knowledge, that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

PROPOSED AMENDMENT TO THE BYE-LAWS OF THE COMPANY

To reflect the new Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules, a special resolution will be proposed at the Annual General Meeting to delete Bye-law 86(2) in its entirety and replace it with the following:

"The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting."

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors (the "Code"). After specific enquiry by the Company, all the directors of the Company confirmed that they had complied with the required standard set out in the Code for the financial year ended 31 December 2005.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive Directors of the Company. The Audit Committee has reviewed with management the accounting principles and practice adopted by the Group, discussed auditing, financial reporting matters and has reviewed the audited consolidated financial statements for the year ended 31 December 2005. In addition, the consolidated financial statements of the Group for the year ended 31 December 2005 have been audited by our auditors, Messrs. Deloitte Touche Tohmatsu and an unqualified opinion report was issued.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results 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 annual report will be dispatched to the shareholders and available on the same websites in due course.

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 Cho Tung
Director

Hong Kong, 16 March 2006

* *For identification purpose only*

Please also refer to the published version of this announcement in South China Morning Post.