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 2010

The board of directors ("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 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		Audited	Audited
Revenue	*3*	**4,034,031**	2,983,532
Cost of sales		**(3,541,784)**	(2,693,677)
Gross profit		**492,247**	289,855
Other income	*5*	**106,695**	74,877
Other gains and losses	*6*	**27,559**	27,406
Research and development expenses		**(146,489)**	(79,942)
Selling and distribution costs		**(94,818)**	(70,253)
Administrative expenses		**(108,102)**	(90,260)
Finance costs	*7*	**(10,288)**	(3,061)
Profit before taxation		**266,804**	148,622
Taxation	*8*	**(29,180)**	(15,002)
Profit for the year	*9*	**237,624**	133,620
Profit for the year attributable to:			
Owners of the Company		**233,349**	128,975
Non-controlling interests		**4,275**	4,645
		237,624	133,620
Earnings per share (HK cents)	*11*		
Basic		**15.0**	8.5
Diluted		**14.4**	8.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
	Audited	Audited
Profit for the year	**237,624**	133,620
Other comprehensive income		
Exchange difference arising on translation to presentation currency	**50,900**	6,319
Change in fair value of available-for-sale investments	–	25,366
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
Deferred tax liability on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	–	(21,609)
Other comprehensive income for the year (net of tax)	**50,900**	71,147
Total comprehensive income for the year	**288,524**	204,767
Total comprehensive income attributable to:		
Owners of the Company	**283,782**	200,122
Non-controlling interests	**4,742**	4,645
	288,524	204,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 HK$'000 Audited	2009 HK$'000 Audited
Non-current assets			
Investment properties		**243,832**	221,217
Property, plant and equipment		**343,389**	255,454
Land use rights		**96,108**	82,959
Goodwill		**28,321**	28,321
Intangible assets		**177,453**	179,469
Deferred tax assets		**9,592**	3,438
Available-for-sale investments		**15,876**	–
Deposits paid for property, plant and equipment		**20,226**	–
Deposits paid for land use rights		**–**	109,224
		934,797	880,082
Current assets			
Inventories		**440,013**	411,090
Properties under development for sales		**110,441**	–
Trade receivables	*12*	**110,420**	141,555
Notes and bills receivables	*12*	**124,304**	75,173
Other receivables, deposits and prepayments		**279,997**	278,155
Pledged bank deposits		**616,828**	329,114
Bank balances and cash		**534,522**	532,276
		2,216,525	1,767,363
Current liabilities			
Trade and notes payables	*13*	**420,357**	516,167
Other payables, deposits received and accruals		**198,904**	262,732
Bank borrowings		**640,335**	271,123
Tax payable		**29,488**	15,841
		1,289,084	1,065,863
Net current assets		**927,441**	701,500
Total assets less current liabilities		**1,862,238**	1,581,582
Capital and reserves			
Share capital		**156,962**	152,871
Reserves		**1,634,103**	1,374,115
Equity attributable to owners of the Company		**1,791,065**	1,526,986
Non-controlling interests		**28,025**	17,483
Total equity		**1,819,090**	1,544,469
Non-current liabilities			
Deferred tax liabilities		**43,148**	37,113
		1,862,238	1,581,582

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 the manufacturing, design and development and sale of liquid crystal display ("LCD") modules, mobile handset solutions and wireless communication modules and modems.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars, as the Directors consider that such presentation is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company ("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 ("Stock Exchange") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, 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.

IFRS 2 (Amendments)	Group cash-settled share-based payment transactions
IFRS 3 (as revised in 2008)	Business combinations
IAS 27 (as revised in 2008)	Consolidated and separate financial statements
IAS 39 (Amendments)	Eligible hedged items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of improvements to IFRSs issued in 2008
IFRIC 17	Distributions of non-cash assets to owners

The adoption of the new and revised IFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 1 (Amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters[2]
IFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[3]
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
IFRS 9	Financial instruments[4]
IAS 12 (Amendments)	Deferred Tax: Recovery of underlying assets[5]
IAS 24 (as revised in 2009)	Related party disclosures[6]
IAS 32 (Amendments)	Classification of rights issues[7]
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement[6]
IFRIC 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 February 2010.

IFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of IFRS 9 will mainly affect the classification and measurement of the Group's available-for-sale investments.

The amendments to IAS 12 titled "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with IAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

In the opinion of the directors of the Company, it is not practicable to provide reasonable estimate of the effect of application of IFRS 9 and IAS 12 as stated above until detailed review has been completed.

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. Segment information

Segment information is presented based on information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

The Group currently organised into three revenue streams – sale of mobile handset solutions, sale of LCD modules and sale of wireless communication modules and modems. These revenue streams are the basis of the internal reports about components of the Group that are regularly reviewed by the executive directors in order to allocate resources to segments and to assess their performance.

Segment revenue and results

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

For the year ended 31 December 2010

	Sale of mobile handset solutions *HK$'000*	Sale of LCD modules *HK$'000*	Sale of wireless communication modules and modems *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue						
External sales	3,170,208	142,129	721,694	4,034,031	–	4,034,031
Inter-segment sales	–	52,580	–	52,580	(52,580)	–
Total	3,170,208	194,709	721,694	4,086,611	(52,580)	4,034,031
Segment profit (loss)	203,764	(5,339)	69,663	268,088	–	268,088
Other income						20,710
Corporate expenses						(27,016)
Gain from changes in fair values of investment properties						15,310
Finance costs						(10,288)
Profit before taxation						266,804

For the year ended 31 December 2009

	Sale of mobile handset solutions	Sale of LCD modules	Sale of wireless communication modules and modems	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	1,834,995	204,664	943,873	2,983,532	–	2,983,532
Inter-segment sales	–	44,096	–	44,096	(44,096)	–
Total	1,834,995	248,760	943,873	3,027,628	(44,096)	2,983,532
Segment profit (loss)	15,038	(11,828)	127,371	130,581	–	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

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, other income including rental income and interest income, corporate expenses, finance costs and taxation. 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 2010

	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	**1,068,903**	**254,929**	**161,450**	**1,485,282**
Investment properties				**243,832**
Property, plant and equipment				**1,435**
Deferred tax assets				**9,592**
Available-for-sale investments				**15,876**
Deposits paid for property, plant and equipment				**20,226**
Properties under development for sales				**110,441**
Other receivables, deposits and prepayments				**113,288**
Pledged bank deposits				**616,828**
Bank balances and cash				**534,522**
Consolidated assets				**3,151,322**
Segment liabilities				
– attributable to sale of LCD modules	**–**	**88,539**	**–**	**88,539**
– attributable to operating segment other than sale of LCD modules *(note)*				**482,418**
				570,957
Other payables, deposits received and accruals				**48,304**
Bank borrowings				**640,335**
Tax payable				**29,488**
Deferred tax liabilities				**43,148**
Consolidated liabilities				**1,332,232**

At 31 December 2009

	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	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

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, certain property, plant and equipment, land use rights, pledged bank deposits, bank balances and cash, deposits paid for property, plant and equipment and land use rights, available-for-sale investments, deferred tax assets, properties under development for sales and certain other receivables, deposits and prepayment. Assets used jointly by operating segments are allocated on the basis of the revenue earned by individual operating segments; and

- all liabilities are allocated to operating segments other than certain 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.

Other segment information

For the year ended 31 December 2010

	Sale of mobile handset solutions *HK$'000*	**Sale of LCD modules** *HK$'000*	**Sale of wireless communication modules and modems** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	**97,863**	**8,054**	**16,956**	**1,536**	**124,409**
Additions of intangible assets	**123,576**	**–**	**40,498**	**–**	**164,074**
Depreciation of property, plant and equipment	**26,565**	**12,622**	**4,122**	**231**	**43,540**
Amortisation of intangible assets	**128,171**	**–**	**40,617**	**–**	**168,788**
Amortisation of land use rights	**1,713**	**204**	**373**	**–**	**2,290**
Allowance for bad and doubtful debts, net	**10,115**	**525**	**–**	**–**	**10,640**
Write-down of inventories	**3,658**	**1,326**	**1,529**	**–**	**6,513**

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$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions of property, plant and equipment	47,762	8,920	24,076	69	80,827
Additions of intangible assets	137,022	–	36,966	–	173,988
Additions of goodwill	28,321	–	–	–	28,321
Depreciation of property, plant and equipment	12,570	19,458	6,462	190	38,680
Amortisation of intangible assets	111,749	–	45,197	–	156,946
Amortisation of land use rights	1,149	287	450	–	1,886
Allowance for (reversal of) bad and doubtful debts, net	336	(427)	–	–	(91)
(Reversal of) write-down of inventories	(3,218)	11,767	6,052	–	14,601

Revenue from major products

	2010 *HK$'000*	2009 *HK$'000*
Sale of mobile handset solutions	**3,170,208**	1,834,995
Sale of LCD modules	**142,129**	204,664
Sale of wireless communication modules and modems	**721,694**	943,873
	4,034,031	2,983,532

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group, each deriving revenue from all operating segments, are as follows:

	2010	2009
	HK$'000	*HK$'000*
Customer A	**817,035**	N/A [1]

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

This customer is within same mobile phone technology industry in the People's Republic of China (the "PRC").

Geographical information

The Group's revenue and non-current assets are substantially located in the PRC, the country of domicile from which the Group derives revenue and holds assets. Accordingly, no further analysis is presented.

5. Other income

	2010	2009
	HK$'000	*HK$'000*
Refund of VAT *(Note)*	**18,588**	14,224
Government grants	**65,539**	47,108
Interest income earned on bank balances	**8,994**	5,157
Rental income (Less: outgoings of HK$1,077,000 (2009: HK$402,000))	**11,101**	2,392
Others	**2,473**	5,996
	106,695	74,877

Note:

Shanghai Simcom Limited, Shanghai Speedcomm Technology Limited and Shanghai Simcom Wireless Solutions Limited, all being wholly owned subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, they are entitled to a refund of Value Added Tax ("VAT") paid for sales of self-developed software in the PRC.

6. Other gains and losses

	2010	2009
	HK$'000	*HK$'000*
Recycling of gain on disposal of available-for-sale investments	–	25,366
Loss on disposal of property, plant and equipment	(74)	(45)
Net foreign exchange gain (loss)	22,963	(1,928)
Gain from changes in fair values of investment properties	15,310	4,013
Allowance for bad and doubtful debts *(note)*	(11,051)	–
Reversal of allowance for bad and doubtful debts *(note)*	411	–
	27,559	27,406

Note: Allowance for bad and doubtful debts of HK$336,000 and reversal of allowance for bad and doubtful debts of HK$427,000 are included in administrative expenses for the year ended 31 December 2009.

7. Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interests on bank borrowings wholly repayable within five years	10,288	3,061

8. Taxation

	2010	2009
	HK$'000	*HK$'000*
PRC Enterprise Income Tax	28,286	25,598
Under (over) provision in PRC Enterprise Income Tax in prior years	1,788	(8,771)
Deferred tax credit	(894)	(1,825)
Income tax expense for the year	29,180	15,002

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	**1,950**	1,750
Amortisation of intangible assets (included in cost of sales)	**168,788**	156,946
Less: Amount capitalised in development costs	**(1,188)**	(2,309)
	167,600	154,637
Amortisation of land use rights	**2,290**	1,886
Depreciation of property, plant and equipment	**43,540**	38,680
Less: Amount capitalised in development costs	**(3,130)**	(4,756)
	40,410	33,924
Allowances for bad and doubtful debts	**11,051**	336
Reversal of allowance for bad and doubtful debts	**(411)**	(427)
Write-down of inventories (included in cost of sales)	**6,513**	14,601
Costs of inventories recognised as expenses	**3,505,281**	2,667,164
Staff costs:		
Directors' emoluments	**8,263**	4,613
Other staff costs		
– Salaries and other benefits	**238,629**	171,417
– Retirement benefits scheme contributions	**47,820**	34,322
– Share-based payments	**14,076**	8,764
	308,788	219,116
Less: Amount capitalised in development costs	**(126,567)**	(82,763)
	182,221	136,353

10. Dividends

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2008 Final dividend, paid – HK1.0 cent per share	**–**	15,175
2009 Final dividend, paid – HK2.2 cents per share	**34,415**	–
Interim dividend, paid – HK2.5 cents per share (2009: HK0.8 cents)	**39,195**	12,173
	73,610	27,348
Final dividend, proposed – HK3.0 cents per share (2009: HK2.2 cent) *(Note)*	**47,089**	33,632

Note: The final dividend of HK3.0 cents (2009: HK2.2 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:

	2010	2009
	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)	**233,349**	128,975
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,556,040**	1,520,869
Effect of dilutive potential shares – share options weighted average number of ordinary shares for the propose of diluted earnings per share	**66,399**	–
	1,622,439	1,520,869

The denominators used were the same as those detailed above for both basic and diluted earnings per share for the year ended 31 December 2009.

The computation of diluted earnings per share for the year ended 31 December 2009 did 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 for that year.

12. Trade receivables, notes and bills receivables

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

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

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**103,747**	94,140
31 – 60 days	**1,689**	6,764
61 – 90 days	**655**	14,118
91 – 180 days	**2,126**	564
Over 180 days	**23,882**	36,455
	132,099	152,041
Less: Accumulated allowances	**(21,679)**	(10,486)
Trade receivables	**110,420**	141,555
Notes and bills receivables – within 30 days *(Note)*	**124,304**	75,173

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

The 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:

	2010	2009
	HK$'000	*HK$'000*
0 – 30 days	**357,207**	462,324
31 – 60 days	**42,571**	36,472
61 – 90 days	**4,556**	2,876
Over 90 days	**16,023**	14,495
	420,357	516,167

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.0 cents per share to shareholders whose names appear on the register of members of the Company on 13 May 2011. The register of members will be closed from 11 May 2011 to 13 May 2011, both days inclusive, and the proposed final dividend will be paid on or about 8 June 2011. 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

To ascertain the entitlement to the proposed final dividend, the Company's register of members will be closed from 11 May 2011 to 13 May 2011 (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 p.m. on 9 May 2011.

ANNUAL GENERAL MEETING

The AGM will be held at Unit A, 29th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 13 May 2011. 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

In 2010, our business has grown rapidly as a result of repositioning the Company's business strategy in second half of 2008 to focus on high value added and high growth market segments. The Group has delivered record revenue for the year ended 31 December 2010 at approximately HK$4.03 billion (2009: approximately HK$2.98 billion), representing 35.21% year to year increase, which is the highest revenue ever reported since the Group's listing on the Main Board of the Stock Exchange in 2005. Much of the growth was contributed by the continuous success in ODM service to top tier handset customers and penetration in 3G product segments. Besides top line growth, the successful execution of "high value added" strategy resulted in significant increase in profit. The profit attributable to owners of the Company was approximately HK$233.3 million, representing an increase of 80.93% as compared to that of 2009. Basic earnings per share for the year were HK15 cents.

Handset solutions

In 2010, the overall handset industry continued to be extremely competitive. Especially for the low end feature phone segment, price was often the main decision factor and margin was expected to be low. That was why we chose to reposition the Company's business strategy to focus on "high value added and high growth" segments. We strived to build a sustainable growth business through innovation and differentiate ourselves among other handset design houses and ODM. Since then, we had steadily executed the following actions towards our goal.

- Shifted our engineering focus towards 3G handsets and smart phone solutions development covering all 3G standards and Window Mobile and Android OS
- Realigned sales team and incentive to target top tier handset suppliers as ODM customers
- Invested in manufacturing technology to enhance our quality control to meet and exceed top tier customers' expectations
- Streamlined supply chain to improve flexibility and eliminate waste

In 2010, we had significant breakthrough in our ODM business (full handset solutions) as a result of the above actions.

- Delivered 30 models for our top three international ODM customers
- Delivered 29 models for our top three domestic ODM customers
- Achieved HK$1.8 billion ODM sales, representing more than 136% year to year increase
- ODM business contributed more than 56% of all handset sales with only 23% of all handset shipments

At the same time, we had achieved growth in our traditional SKD/CKD solutions. The SKD/CKD solutions reported HK$1.37 billion in sales, representing more than 43% year to year increase. Our customers' sales growth in domestic and emerging markets were the key drivers for our SKD/CKD solutions growth. Although the growth and margin in the SKD/CKD solutions are less than those of full handset solutions, the SKD/CKD volume represented more than 73% of all handset shipments and provided significant economy of scale and purchasing power to manage our cost.

Overall, our handset solutions achieved sales and gross profit of HK$3.17 billion and HK$344.8 million respectively, representing 72.76% and 254.48% year to year growth respectively. The gross profit margin had also significantly improved to 10.88% as compared to 5.3% in 2009. Our business strategy to focus on "high value added and high growth" segments had helped our handset solutions segment to achieve sustainable top-line and bottom-line growth despite the competitive industry environment.

Wireless modules and modems

The overall wireless module industry remained vibrant driven by accelerated adoption of smart metering, security, remote monitoring, telemetric, and home automation control consoles. In the past five years, our family of SIM300 wireless module became a globally well known industrial grade wireless module. We strived to continue building our SIMCom® wireless module brand to stand for quality, reliability, good service, and exceptional value in the Machine-to-Machine (M2M) industry. In 2010, we chose to retire the old SIM300 family and introduce the new SIM900 family. The SIM900 family is smaller, faster, and the best value wireless module ever designed by our experience engineering team. Therefore, much of our resources in 2010 were focused on supporting our existing customers to convert their system design to adopt our new wireless modules. The SIM900 wireless module was the first of our kind to receive the AT&T certification in July of 2010, opening up the huge North American market for our future growth.

The modem industry remains volatile and highly competitive. We expect the modem industry will subject to inherent uncertainty and may have an impact on our segment results.

Overall, our wireless modules and modems solutions recorded HK$721.7 million and HK$134.7 million in sales and gross profit respectively, representing 23.54% and 22.51% decline as compared to that of year 2009. The declines were driven by the drop in modem sales and the conversion of SIM300 family to SIM900 family. Overall gross profit ratio remained flat at around 18.66%. We expect our strong SIMCom® brand and experience wireless module team will continue to grow the new SIM900 family in the M2M industry and other applications alike. As the PRC government elevated "Internet of things" industry to one of the key strategic industries to support in the 12th 5-year plan, we foresee the government sponsored programs will drive even higher demand for M2M wireless modules and modules of other wireless standards like blue tooth, wifi, short range RF, etc. Leveraging on SIMCom® brand and our experience in M2M industry, we plan to expand our module product portfolio to include other wireless standards as well.

LCD modules

LCD modules remained as a strategic component to our handset customers. In anticipation of the strong growth of smart phones, our LCD modules factory had focused on upgrading the facility in the second half of 2010 to manufacture multi-touch capacitive display. We expect a strong increase in attachment of these high end displays with our increase in smart phone shipment in 2011. However, if the LCD modules were part of our full handset sales, the revenue of the LCD modules would be accounted for in the full handset sales and excluded from the LCD module segment report to avoid double counting. Therefore, we may expect LCD modules segment performance to stay flat or decline as our ODM full handset business increases. In the year of 2010, LCD module segment revenue and gross profit were HK$142.1 million and HK$12.7 million representing a decrease of 30.55% and 32.13% respectively as compared to that of 2009.

Shenyang Operating Center

Shenyang Operating Center's first phase construction has been completed in 2010. SMT equipment had moved into the new factory and started production. Currently, the Shenyang factory focuses on making wireless modules and modems. In 2011, we plan to continue with the second phase construction which will include a top of the line injection molding, vacuum plating, and case painting factory, a research and development ("R&D") center, and an employee dormitory. The completion of the second phase construction will add critical skill sets in making and delivering high end phones to our ODM customers and further differentiate ourselves from our competitors. The new R&D center will also allow us to tap into the vast pool of qualified engineers in the nearby universities and build a stable base of engineers for our future growth. As such, we are tapping into the Taiwanese equity market for the first time by applying for the offering and listing of Taiwan Depository Receipt ("TDR Issue"). We have obtained approvals from the Taiwan authorities for the TDR Issue in January 2011.

Intellectual Property and Licensing

As a technology company, we are actively building our intellectual property portfolio. As of the end of 2010, we have 1,016 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 fullest extend as justified.

Our product is designed to meet certain communication industry standards. As such we would be required to obtain license for using certain technology from the respective technology owners which we would pay royalties. As of 2010, we have already concluded licensing agreements with several key technology partners. We intend to continue such licensing negotiation as appropriate. Decisions to develop in-house versus licensing are part of our on-going business practice.

Shenyang real estate project

Per our previous announcement, the Group through its subsidiary, 晨訊置業(沈陽)有限公司 (unofficial English translation as Shenyang SIM Real Estate Limited) ("SIM Real Estate"), acquired a parcel of land in Shenyang City ("Land"). Our intention is to develop the Land into 400,000 square meters of commercial and residential apartment complex and sell to the open market. In November 2010, the Group entered into a sale and purchase agreement whereby the Group has agreed to sell 40% equity interest in SIM Real Estate to 北京市電信房地產開發有限責任公司 (unofficial English translation as Beijing Telecom Real Estate Development Corporation ("Beijing Telecom")). Beijing Telecom has extensive experience in property development in the PRC which could provide the necessary expertise to complete the project on the Land. As such, we are confident that the project will not take away our management's attention in driving our core business growth. We expect the first phase of the project to begin sales in the third quarter of 2011.

FINANCIAL REVIEW

For the year ended 31 December 2010, the Group's revenue increased significantly by 35.21% to a record high of HK$4,034 million (2009: HK$2,983.5 million) as compared with that of 2009. All unit shipments of mobile handsets, wireless communication modules and LCD modules of the Group recorded growth in year 2010. The Group's revenue increase was mostly attributable to the significant increase in the sales of mobile handset solutions.

The gross profit of the Group increased by 69.83% year-on-year to HK$492.2 million (2009: HK$289.9 million) for the year 2010 and the gross profit margin of the Group increased to 12.2% (2009: 9.72%). The successful execution of "high value added" strategy resulted in the significant increase in gross profit as well as the overall gross profit margin.

The profit attributable to the owners of the Company increased significantly by 80.93% to HK$233.3 million (2009: HK$129 million) in 2010 as compared with that of 2009. The basic earnings per share for the year 2010 increased by 76.47% year-on-year to HK15 cents (2009: HK8.5 cents).

Research and development expenses

In 2010, the Group continued to develop high performance products including 3G phones, smart phones and new model of wireless modules and modems. The number of design and development team members was 1,134 (2009: 845) in 2010. The R&D expenses, which amounted to HK$146.5 million (2009: HK$79.9 million), represented about 3.63% (2009: 2.68%) of the Group's revenue.

Selling and distribution costs

The selling and distribution costs of the Group for year 2010 increased by 34.97% to HK$94.8 million (2009: HK$70.3 million) because of significant increase in local sales and export business expansion. The ratio of the selling and distribution costs over revenue in 2010 was 2.35% (2009: 2.35%).

Administrative expenses

The Group's administrative expenses for 2010 increased by 19.77% to HK$108.1 million (2009: HK$90.3 million), representing 2.68% (2009: 3.03%) of the revenue due to the expansion of operation centre in Shenyang City in 2010.

Segment results

	Year ended 31 December 2010				Year ended 31 December 2009			
	Revenue	**Unit shipped**	**Gross profit**	**Gross profit margin**	Revenue	Unit shipped	Gross profit	Gross profit margin
	HK$'M	***'000***	***HK$'M***	***%***	*HK$'M*	*'000*	*HK$'M*	*%*
Mobile handset solutions	**3,170.2**	**17,276**	**344.8**	**10.88%**	1,835.0	15,362	97.3	5.30%
Wireless communication modules and modems	**721.7**	**6,482**	**134.7**	**18.66%**	943.9	5,334	173.8	18.41%
LCD modules	**142.1**	**4,163**	**12.7**	**8.97%**	204.6	3,466	18.8	9.18%
Total	**4,034.0**	**27,921**	**492.2**	**12.20%**	2,983.5	24,162	289.9	9.72%

Mobile handset solutions

In 2010, the revenue for mobile handset solutions increased year-on-year by 72.76% to HK$3,170.2 million (2009: HK$1,835 million) and unit shipments increased by 12.46% compared to 2009 and the gross profit margin for this segment also increased to 10.88% (2009: 5.3%).The increases were due the great achievement in the ODM sales. The Group has launched 216 (2009: 152) handset models and 86 (2009: 52) handset platforms in 2010.

Wireless communication modules and modems

In 2010, the revenue of this segment decreased by 23.54% as compared to that of year 2009. The decline was driven by the decrease in modem sales and the conversion of SIM300 family to SIM900 family. Overall gross profit margin for modules and modems remained flat at around 18.66% (2009: 18.41%).

LCD modules

The LCD modules remained as a strategic component to our handset customers, the revenue growth of LCD modules was reflected in our strong ODM business performance. And thus, we expect future external sales of LCD modules to stay flat or decline. As a result, the external LCD sales decreased by 30.55% as compared with those of 2009, and the gross profit margin for this segment for 2010 was maintained at 8.97% (2009: 9.18%).

EMPLOYEES

As at 31 December 2010, the Group had approximately 3,455 (2009: 2,560) 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$308.8 million (2009: HK$219.1 million) during the year 2010.

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 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

Except for code provision E1.2 as mentioned below, 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 ("Corporate Governance Code") throughout the year ended 31 December 2010.

According to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting of the Company and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

At the annual general meeting of the Company held on 14 May 2010 ("2010 AGM"), Ms Yeung Man Ying, the chairman of the Board, was unable to attend due to unexpected business engagement. Mr Chan Tat Wing, Richard, an executive Director and the chief finance officer of the Group, chaired the 2010 AGM on behalf of the chairman of the Board pursuant to the Bye-laws and was available to answer questions. Mr Wong Cho Tung, an executive Director and a member of the Remuneration Committee together with Mr Liu Hing Hung, an independent non-executive Director and the chairman of the Audit Committee, were also available at the 2010 AGM to answer questions from shareholders of the Company.

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 2010.

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 2010 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 2010 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, 3 March 2011

* For identification purposes only