

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2011

The board of directors (the “Board”) of SIM Technology Group Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 together with the comparative figures for the corresponding period in 2010 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December	
		2011 HK\$'000 Audited	2010 HK\$'000 Audited
Revenue	3	3,334,099	4,034,031
Cost of sales		(3,065,219)	(3,541,784)
Gross profit		268,880	492,247
Other income	5	55,970	106,695
Other gains and losses	6	51,182	27,559
Research and development expenses		(183,639)	(146,489)
Selling and distribution costs		(124,507)	(94,818)
Administrative expenses		(98,773)	(108,102)
Finance costs	7	(10,739)	(10,288)
(Loss) profit before taxation		(41,626)	266,804
Taxation credit (charge)	8	13,574	(29,180)
(Loss) profit for the year	9	<u>(28,052)</u>	<u>237,624</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(25,478)	233,349
Non-controlling interests		(2,574)	4,275
		<u>(28,052)</u>	<u>237,624</u>
(Loss) earnings per share (HK cents)	11		
Basic		<u>(1.6)</u>	<u>15.0</u>
Diluted		<u>(1.6)</u>	<u>14.4</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Audited	Audited
(Loss) profit for the year	(28,052)	237,624
Other comprehensive income for the year:		
Exchange difference arising on translation to presentation currency	<u>68,738</u>	<u>50,900</u>
Total comprehensive income for the year	<u>40,686</u>	<u>288,524</u>
Total comprehensive income attributable to:		
Owners of the Company	42,687	283,782
Non-controlling interests	<u>(2,001)</u>	<u>4,742</u>
	<u>40,686</u>	<u>288,524</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	2011 <i>HK\$'000</i> Audited	2010 <i>HK\$'000</i> Audited
Non-current assets			
Investment properties		273,023	243,832
Property, plant and equipment		684,271	343,389
Land use rights		98,401	96,108
Goodwill		28,321	28,321
Intangible assets		180,432	177,453
Deferred tax assets		17,946	9,592
Available-for-sale investments		16,605	15,876
Deposits paid for property, plant and equipment		11,680	20,226
		<u>1,310,679</u>	<u>934,797</u>
Current assets			
Inventories		620,729	440,013
Properties under development for sales		206,772	110,441
Trade receivables	12	105,512	110,420
Notes and bills receivables	12	631,521	124,304
Other receivables, deposits and prepayments		293,548	279,997
Pledged bank deposits		171,890	616,828
Bank balances and cash		500,817	534,522
		<u>2,530,789</u>	<u>2,216,525</u>
Current liabilities			
Trade and notes payables	13	871,302	420,357
Other payables, deposits received and accruals		327,327	198,904
Bank borrowings		511,472	640,335
Tax payable		5,214	29,488
		<u>1,715,315</u>	<u>1,289,084</u>
Net current assets		<u>815,474</u>	<u>927,441</u>
Total assets less current liabilities		<u><u>2,126,153</u></u>	<u><u>1,862,238</u></u>
Capital and reserves			
Share capital		170,500	156,962
Reserves		1,815,966	1,634,103
Equity attributable to owners of the Company		1,986,466	1,791,065
Non-controlling interests		88,424	28,025
Total equity		<u>2,074,890</u>	<u>1,819,090</u>
Non-current liabilities			
Deferred tax liabilities		51,263	43,148
		<u>51,263</u>	<u>43,148</u>
		<u><u>2,126,153</u></u>	<u><u>1,862,238</u></u>

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 display modules, handsets and solutions, and wireless communication modules.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars, as the directors consider that it is a more appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders.

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies of the Group. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (Revised)	Related party disclosures
IAS 32 (Amendments)	Classification of rights issues
IFRIC 14 (Amendments)	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

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

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

IFRS 1 (Amendments)	Government loan ²
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets ¹ Disclosures – Offsetting financial assets and financial liabilities ²
IFRS 9	Financial instruments ³
IFRS 9 & IFRS 7 (Amendments)	Mandatory effective date of IFRS 9 and transition disclosures ³
IFRS 10	Consolidated financial statements ²
IFRS 11	Joint arrangements ²
IFRS 12	Disclosure of interests in other entities ²
IFRS 13	Fair value measurement ²
IAS 1 (Amendments)	Presentation of items of other comprehensive income ⁵
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁴
IAS 19 (Revised 2011)	Employee benefits ²
IAS 27 (Revised 2011)	Separate financial statements ²
IAS 28 (Revised 2011)	Investments in associates and joint ventures ²
IAS 32 (Amendments)	Offsetting financial assets and financial liabilities ⁶
IFRIC 20	Stripping costs in the production phase of a surface mine ²

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

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

⁶ Effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial instruments

IFRS 9 “Financial instruments” (as issued in 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 “Financial instruments” (as revised in 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 addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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 2015, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 and that the application of IFRS 9 will mainly affect the classification and measurement of the Group's available-for-sale investments.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of IFRS 10 and IFRS 12 are applied early at the same time. The directors anticipate that IFRS 10 and IFRS 12 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of IFRS 10 and IFRS 12 may not impact on amounts reported in the consolidated financial statements.

IFRS 13 Fair Value measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to IAS 12 Deferred tax-Recovery of underlying assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 “Investment Property” are presumed to be recovered through sale for the purposes of measuring deferred taxes, 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 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 represents 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 is currently organised into four reportable and operating segments – sale of handsets and solutions, sale of display modules, sale of wireless communication modules and property development. These reportable and operating segments 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.

During the year ended 31 December 2011, property development operating activity has become substantial to the Group, therefore it is reported as a new reportable and operating segment. Figures in the segmental information for the year ended 31 December 2010 have been restated for comparative purposes only.

Segment revenues and results

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

For the year ended 31 December 2011

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue							
External sales	2,608,071	132,454	593,574	–	3,334,099	–	3,334,099
Inter-segment sales	–	200,403	–	–	200,403	(200,403)	–
Total	<u>2,608,071</u>	<u>332,857</u>	<u>593,574</u>	<u>–</u>	<u>3,534,502</u>	<u>(200,403)</u>	<u>3,334,099</u>
Segment (loss) profit	<u>(9,722)</u>	<u>(35,009)</u>	<u>10,529</u>	<u>(6,244)</u>	<u>(40,446)</u>	<u>–</u>	<u>(40,446)</u>
Other income							31,433
Corporate expenses							(39,576)
Gain from changes in fair values of investment properties							17,702
Finance costs							(10,739)
Loss before taxation							<u>(41,626)</u>

For the year ended 31 December 2010 (restated)

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>3,170,208</u>	<u>194,709</u>	<u>721,694</u>	<u>–</u>	<u>4,086,611</u>	<u>(52,580)</u>	<u>4,034,031</u>
Segment profit (loss)	<u>203,764</u>	<u>(5,339)</u>	<u>69,663</u>	<u>(2,653)</u>	<u>265,435</u>	<u>–</u>	<u>265,435</u>
Other income							20,710
Corporate expenses							(24,363)
Gain from changes in fair values of investment properties							15,310
Finance costs							(10,288)
Profit before taxation							<u>266,804</u>

Segment result represents the profit earned or loss incurred by each segment without allocation of gain from changes in fair values of investment properties, rental income, interest income, other income, corporate expenses and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

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

At 31 December 2011

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	1,795,330	359,119	378,461	255,162	2,788,072
Investment properties					273,023
Property, plant and equipment					3,467
Deferred tax assets					17,946
Available-for-sale investments					16,605
Deposits paid for property, plant and equipment					11,680
Other receivables, deposits and prepayments					57,968
Pledged bank deposits					171,890
Bank balances and cash					500,817
					<hr/>
Consolidated assets					3,841,468
					<hr/> <hr/>
Segment liabilities					
– attributable to sale of display modules	–	300,438	–	–	300,438
– attributable to property development	–	–	–	50,246	50,246
– attributable to operating segment other than sale of display modules and property development (<i>note</i>)					737,642
					<hr/>
					1,088,326
					<hr/>
Other payables, deposits received and accruals					110,303
Bank borrowings					511,472
Tax payable					5,214
Deferred tax liabilities					51,263
					<hr/>
Consolidated liabilities					1,766,578
					<hr/> <hr/>

At 31 December 2010 (Restated)

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	1,068,903	254,929	161,450	124,905	1,610,187
Investment properties					243,832
Property, plant and equipment					186
Deferred tax assets					9,592
Available-for-sale investments					15,876
Deposits paid for property, plant and equipment					20,226
Other receivables, deposits and prepayments					100,073
Pledged bank deposits					616,828
Bank balances and cash					534,522
					<hr/>
Consolidated assets					3,151,322
					<hr/> <hr/>
Segment liabilities					
– attributable to sale of display modules	–	88,539	–	–	88,539
– attributable to property development	–	–	–	679	679
– attributable to operating segment other than sale of display modules and property development (<i>note</i>)					482,418
					<hr/>
					571,636
					<hr/>
Other payables, deposits received and accruals					47,625
Bank borrowings					640,335
Tax payable					29,488
Deferred tax liabilities					43,148
					<hr/>
Consolidated liabilities					1,332,232
					<hr/> <hr/>

Note: Liabilities attributable to reportable and operating segments other than sale of display modules and property development represented payables to common suppliers of the reportable and operating segments other than sale of display modules and property development, 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 reportable and operating segments other than investment properties, certain property, plant and equipment, pledged bank deposits, bank balances and cash, deposits paid for property, plant and equipment, available-for-sale investments, deferred tax assets and certain other receivables, deposits and prepayment. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and
- other than liabilities specifically identified for reportable and operating segments on sale of display modules and property development, the remaining liabilities are allocated between payables jointly consumed by reportable and operating segments on sale of handsets and solutions and sale of wireless communication modules and corporate liabilities. Corporate liabilities include other payables, deposits received and accruals, tax payable, bank borrowings and deferred tax liabilities.

Other segment information

For the year ended 31 December 2011

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions of property, plant and equipment	231,219	80,578	64,172	559	1,253	377,781
Additions of intangible assets	97,373	–	88,350	–	–	185,723
Depreciation of property, plant and equipment	27,999	12,903	10,229	383	255	51,769
Amortisation of intangible assets	130,288	–	57,091	–	–	187,379
Amortisation of land use rights	1,560	186	339	–	–	2,085
Reversal of allowance for bad and doubtful debts	10,167	–	–	–	–	10,167
Write-down of inventories	22,293	3,354	6,078	–	–	31,725
	<u>231,219</u>	<u>80,578</u>	<u>64,172</u>	<u>559</u>	<u>1,253</u>	<u>377,781</u>

For the year ended 31 December 2010

	Sale of handsets and solutions <i>HK\$'000</i>	Sale of display modules <i>HK\$'000</i>	Sale of wireless communication modules <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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

Revenue from major products

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Sale of handsets and solutions	2,608,071	3,170,208
Sale of display modules	132,454	142,129
Sale of wireless communication modules	593,574	721,694
	<u>3,334,099</u>	<u>4,034,031</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group, each deriving revenue from the Group's reportable and operating segments other than property development segment, are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Customer A	N/A ¹	817,035
Customer B	949,104	N/A ¹

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

These customers are within same mobile phone technology industry in the People's Republic of China ("PRC" or "China").

Geographical information

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

5. Other income

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Refund of VAT (<i>Note</i>)	12,695	18,588
Government grants	10,237	65,539
Interest income earned on bank balances	18,569	8,994
Rental income (Less: outgoings of HK\$1,625,000 (2010: HK\$1,077,000))	12,864	11,101
Others	1,605	2,473
	<u>55,970</u>	<u>106,695</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(69)	(74)
Net foreign exchange gain	23,382	22,963
Changes in fair values of investment properties	17,702	15,310
Allowance for bad and doubtful debts	–	(11,051)
Reversal of allowance for bad and doubtful debts (<i>note</i>)	10,167	411
	<u>51,182</u>	<u>27,559</u>

Note: During the year 31 December 2011, reversal of allowance for bad and doubtful debts of HK\$10,167,000 (2010: HK\$411,000) is recognised upon the settlement of trade receivables which are previously impaired.

7. Finance costs

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interests on bank borrowings wholly repayable within five years	<u>10,739</u>	<u>10,288</u>

8. Taxation

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PRC Enterprise Income Tax	5,014	28,286
(Over)under provision in PRC Enterprise Income Tax in prior years	(16,815)	1,788
	(11,801)	30,074
Deferred tax credit	(1,773)	(894)
Taxation (credit) expense for the year	(13,574)	29,180

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. (Loss) profit for the year

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss) profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	2,000	1,950
Amortisation of intangible assets (included in cost of sales)	187,379	168,788
Less: Amount capitalised in development costs	(1,421)	(1,188)
	185,958	167,600
Amortisation of land use rights	2,085	2,290
Depreciation of property, plant and equipment	51,769	43,540
Less: Amount capitalised in development costs	(3,560)	(3,130)
	48,209	40,410
Write-down of inventories (included in cost of sales)	31,725	6,513
Costs of inventories recognised as expenses (included in cost of sales)	3,038,696	3,505,281
Staff costs:		
Directors' emoluments	8,727	8,263
Other staff costs		
– Salaries and other benefits	372,659	238,629
– Retirement benefits scheme contributions	71,298	47,820
– Share-based payments	7,682	14,076
	460,366	308,788
Less: Amount capitalised in development costs	(147,952)	(126,567)
	312,414	182,221

10. Dividends

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2010 Final dividend, paid – HK3.0 cents per share	51,733	–
2009 Final dividend, paid – HK2.2 cents per share	–	34,415
Interim dividend, paid – HK1.0 cent per share (2010: HK2.5 cents)	17,048	39,195
	<u>68,781</u>	<u>73,610</u>
Final dividend of HK3.0 cents was proposed and paid for the year ended 31 December 2010 (<i>Note</i>)	<u>–</u>	<u>47,089</u>

Note: The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: HK3.0 cents).

11. (Loss) earnings per share

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
(Loss) earnings		
(Loss) earnings for the purposes of basic and diluted earnings per share (Loss) profit for the year attributable to owners of the Company	<u>(25,478)</u>	<u>233,349</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of the computation of the basic (loss) earnings per share	1,584,022	1,556,040
Effect of dilutive potential shares – share options weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>–</u>	<u>66,399</u>
	<u>1,584,022</u>	<u>1,622,439</u>

The computation of diluted loss per share for the year ended 31 December 2011 does not assume the exercise of the Company's share options as it would reduce loss per share.

For the year ended 31 December 2010, weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has accounted for the effect of share options with dilutive effect.

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 receivables presented based on the invoice date at the end of the reporting period:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 – 30 days	83,370	103,747
31 – 60 days	9,238	1,689
61 – 90 days	5,827	655
91 – 180 days	6,434	2,126
Over 180 days	12,982	23,882
	<hr/>	<hr/>
	117,851	132,099
Less: Accumulated allowances	(12,339)	(21,679)
	<hr/>	<hr/>
Trade receivables	105,512	110,420
	<hr/> <hr/>	<hr/> <hr/>
Notes and bills receivables (<i>Note</i>)		
0 – 30 days	609,155	124,304
31 – 60 days	3,783	–
61 – 90 days	6,599	–
91 – 180 days	11,984	–
	<hr/>	<hr/>
	631,521	124,304
	<hr/> <hr/>	<hr/> <hr/>

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 – 30 days	651,230	357,207
31 – 60 days	184,506	42,571
61 – 90 days	2,102	4,556
Over 90 days	33,464	16,023
	<hr/>	<hr/>
	871,302	420,357
	<hr/> <hr/>	<hr/> <hr/>

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to shareholders for the year ended 31 December 2011.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend the forthcoming annual general meeting of the Company (“AGM”), the Company’s register of members will be closed from 16 May 2012 to 18 May 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the attendance at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:00 pm on 15 May 2012.

ANNUAL GENERAL MEETING

The AGM will be held at Unit A, 29th Floor, Admiralty Centre I, 18 Harcourt Road, Hong Kong on 18 May 2012. 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

2011 was a challenging year for many enterprises around the world, including major players in the handset industry. Intensifying competition, price war and panic selling among industry players have led to the deterioration in profit within the traditional handset open market. Facing the market condition, the Group’s revenue and gross profit of the handsets and solutions segment decreased significantly as compared to 2010. Furthermore, gross profit of the Group’s several high-end ODM projects for the Japanese customers were much lower than the management’s previous anticipation. The drops were derived from the low shipping volume as compared to the initial shipment plan and the underestimation of the developing and manufacturing cost of one project for the Japanese market. Meanwhile, as the management was caught up in the product manufacturing and delivery processes during the second half of the reporting year, new products planning and developing were underway, resulting in insufficient new product launch and sales decrease starting from December 2011. As for the wireless module segment, a drop in sales was recorded which was mainly due to the Group’s determination to reduce the unprofitable low value-added module business such as TD-SCDMA.

Notwithstanding the increase in sales of smart phones and SIM900 wireless modules that were well received from the market, the Group inevitably experienced its first unprofitable financial results since its listing on the Stock Exchange in 2005.

For the year ended 31 December 2011, the Group recorded revenue of HK\$3,334.1 million (2010: HK\$4,034 million). Gross profit margin decreased to 8.1% (2010: 12.2%). Loss attributable to shareholders was HK\$25.5 million (2010: profit attributable to shareholders of HK\$233.3 million). Basic loss per share was HK1.6 cents (2010: basic earnings per share of HK15 cents).

Handsets and solutions

During the reporting year, revenue from the handsets and solutions segment decreased by 17.7% to HK\$2,608.1 million and gross profit margin dropped to 5.5% mainly because of the keen competition, price war and panic selling among industry players within the traditional handset open market. Despite the growth in the Group's ODM sales in the second half year of 2011, the high-end ODM business contributions still could not offset the decrease in the solutions business (handset mother board), leading to the overall decline in sales and gross profit of the handsets and solutions segment during the year.

Apart from low shipping volume as compared to previous plan of some key high-end ODM projects for the Japanese customers, overall profitability of these projects were lower than previous management expectation. In addition, the understandings and communication with the Japanese customer were insufficient and the developing and manufacturing costs of the project for the Japanese market had been underestimated. Coupled with its component and part suppliers' low production yield rate, the manufacturing costs had been substantially increased. As a result, the ODM project for the Japanese market was unprofitable. It was a valuable learning experience which the management had gained during the Group's transition to high value-added business and would enable its management to improve communication and workflow processes, thus raising production efficiency, minimising operational costs and improving the Group's future overall profitability.

During the year under review, sales contributions from the ODM business had grown to 64% (2010: 56%) of sales of handsets and solutions segment. Progress had also been achieved on the smart phones development front. Further to the successful delivery of several models of Android phones in the fourth quarter of 2011, sales from the Group's smart phones surged by 11-fold to about HK\$1.31 billion in 2011 (2010: HK\$0.12 billion), accounting for 50% (2010: 4%) of total handsets and solutions sales. This not only underscored the Group's ability to meet the high quality standards demanded by the Japanese operator but also to quickly ramp up production, which in this instance involved million units of Android phones per model per month. To further optimise internal production capacity and thereby better fulfill customers' demands, the Group collaborated with external electronics manufacturing services (EMS) providers – generating synergies and achieving mutual business growth.

Wireless communication modules

The Group continued to highlight the virtues of its SIMCom® wireless module brand to the Machine-to-Machine (M2M) industry, emphasizing quality, reliability, good service, and exceptional value. Following the gradual retirement of the SIM300 family in 2010, the SIM900 family has been promoted as a small, fast and best-value wireless module designed by the Group's seasoned engineering team. Reflecting its popularity, the SIM900 wireless module recorded sales of about HK\$333 million (2010: about 52.5 million), representing a significant rise of 5.4-fold. In December 2011, the wireless communication module segment reached its new height in terms of monthly shipping volume at over a million units. With the SIM900 (2G) wireless module having obtained AT&T certification in July 2010, and the SIM5320 (3G) subsequently receiving AT&T certification in 2011, the door has been opened for both products to penetrate the high threshold North American market to realise future growth.

During the year under review, the Group's wireless communication modules business recorded HK\$593.6 million (2010: HK\$721.7 million) and HK\$114.5 million (2010: HK\$134.7 million) in sales and gross profit respectively, representing a year-on-year decline of 17.8% and 15%. The contractions were due to the Group's determination to reduce the unprofitable low value-added module business, such as TD-SCDMA. Overall gross profit margin only increased by 0.6% to approximately 19.3% (2010: 18.7%) due to the Group's investment in its research and development ("R&D") resources to develop new generation wireless modules and related application solutions for the "Internet of things" which restrained the growth of the gross profit margin and thus eroded the overall gross profits of the wireless communication modules business.

Display modules

In anticipation of the strong growth trend of smart phones in the handset market and would become one of the key drivers of the Group's ODM business, high-end display modules which include both LCD modules and capacity touch panels ("CTPs") modules, remained a key component to support the production and delivery of smart phone in the coming years. As the display modules take up over 20% of the total smart phone production cost, the Group is committed to expand its display module production plants to facilitate the cost control on productivity. During the year under review, the Group completed its investment in the first phase of R&D and established two product lines for the production of CTPs, one in Shanghai and one in Shenyang respectively.

It should be noted that had display modules been included as part of the Group's full handset sales, revenue from display modules would also have been accounted for as part of full handset sales and excluded from the display module segment to avoid double counting and consequently, actual growth of display modules was embedded in the Group's ODM business. The management anticipated the display modules segment to grow as the Group's ODM business strengthened. During the year under review, display module segment revenue and gross profit stood at HK\$132.4 million (2010: HK\$142.1 million) and HK\$11.4 million (2010: HK\$12.7 million) representing a year-on-year decline of 6.8% and 10.4% respectively.

Shenyang operating center

Construction of Shenyang Operating Center's first and second phases was completed in 2010 and 2011 respectively. The first phase of Shenyang factory focuses on manufacturing wireless modules and reached a production capacity utilization rate of around 70% during the year. The second phase started trial and commercial operations as at the end of 2011 and in the first quarter of 2012 respectively, with production focus on handsets, casings and CTPs.

Apart from handset production lines, the second phase also includes a top-of-the-line injection molding, vacuum plating, and case painting factory, a R&D center, and an employee dormitory. The new R&D center enables the Group to capitalize on the large number of qualified engineers found in nearby universities, leading to the creation of an important talent pool that is critical for realizing growth in the coming years. What is more, the newly established operating center will bring together essential skills needed for production and delivery of high-end phones to ODM customers, enabling the Group to further distance itself from the competition.

Intellectual property and licensing

As a technology company, the Group had been actively building its intellectual property portfolio. As of the end of 2011, the Group had 376 patents granted and 793 patents in application covering various areas in communication technology, mechanical design, and manufacturing know-how. Internally, the engineers were strongly encouraged to think out of the box and the Group had structured programs to reward innovation. These patents are testimony of the Group's engineering innovation and essential to its business growth. The Group intends to continue to develop and defend its patent portfolio to the fullest extent as justified.

As the Group's products are designed to meet certain communication industry standards, licenses would be required for using certain technology from the respective technology owners which the Group would pay royalties.

Shenyang real estate project

Per our previous announcement, the Group through its subsidiary, 晨訊置業(瀋陽)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"). The Land is situated at Daoyi Development Zone, No. 25, north to Shenbei Development Avenue, Shenbei New District, Shenyang City, Liaoning Province, the PRC, with a site area of approximately 85,000 square meters. The Land has been designed to build commercial and residential apartment complexes with an aggregate area of approximately 169,000 square meters and the units therein will be sold to the open market. In November 2010, the Group entered into a sale and purchase agreement whereby it 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")). The transaction has been completed in December 2011. 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. The first phase of the residential properties development project, comprising residential units, with a site area of approximately 43,000 square meters and gross floor area of 64,000 square meters, has commenced sale and are expected to be delivered in the third quarter of 2012.

PROSPECTS

Although the handset industry is under keen competitions, it is still one of the most promising sectors among all IT industries as business opportunities keep arising there. The management believes the setback of business performance during the transitional period is inevitable and tentative, and expects to resume revenue growth in the coming year, driven by both local and international tier-one ODM customers in the "high value-added" ODM business and the most advanced technologies with growing popularity in the market.

The Group is firmly committed to the strategy of becoming a "high value-added" ODM player that provides services to tier-one customers. Currently, partnership arrangements with several new tier-one customers are under discussion and one new project for one of these new customers has already kicked off in the first quarter of 2012. By restructuring the organizational structure to fulfill the ODM business model requirements and enhancing cost controls, the Group would be able to adapt to new engagement rules practiced by tier-one customers. The Group is confident that it will be able to further strengthen its competitiveness in the ODM handset market and ultimately turn around the business.

Regarding the wireless communication module segment, the PRC Government has elevated the "Internet of things" industry to one of the key strategic industries under the 12th Five-Year Plan. The government is expected to sponsor programs that will further drive demand for M2M wireless modules and modules of other wireless standards such as blue tooth, WiFi, short range RF, etc. The Group has determined to exit the low-end wireless module projects in order to optimize the product mix, and a new short range WiFi wireless module is scheduled to launch in 2012, which is expected to drive further revenue growth and business expansion.

In view of the strong growth of advanced, innovative technologies in the coming years, the Group will continue to direct investments toward R&D and bolster production capacity for high-end smart phones, tablets, 4G/LTE handsets and CTPs, which will also help broaden its revenue streams.

Shanghai Simcom Limited ("Simcom"), the Group's wholly-owned subsidiary, has gained the "National Science and Technology Major Project No.3" sponsorship funded by The Ministry of Industry and Information Technology ("MIIT") for its commercial TD-LTE (4G) project. Simcom is the only handset design house within the advanced technologies development sector selected by MIIT. The sponsorship is both a testimonial and an endorsement by MIIT of the Group's R&D efforts in TD-LTE technology. In addition, it also coincides with the Group's another 4G (FDD-LTE) project which enables the Group to fully apply its R&D capabilities and share the resources for these projects to develop high-end 4G smart phone to meet the growing demands in China and the oversea markets.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group's revenue decreased by 17.4% to HK\$3,334.1 million (2010: HK\$4,034 million) as compared with that of 2010. This was mainly attributable to the decreases in the revenue of solutions business (handset mother board) as well as wireless communication modules.

The gross profit of the Group significantly decreased by 45.4% year-on-year to HK\$268.9 million (2010: HK\$492.2 million) for the year 2011 and the gross profit margin of the Group decreased to 8.1% (2010: 12.2%). The gross profit dropped due to the fierce price competition in traditional handset open market and the manufacturing costs were much higher than expected for some key high-end ODM projects.

For the year ended 31 December 2011, loss attributable to shareholders was HK\$25.5 million (2010: profit attributable to shareholders of HK\$233.3 million). The basic loss per share for the year 2011 was HK1.6 cents (2010: basic earnings per share of HK15 cents).

Research and development expenses

In 2011, the Group continued to expand its investment in the most advanced technology including 4G/LTE, CTPs and development of high-end smart phones and tablets. The number of design and development team members was 1,084 (2010: 1,134) in 2011. The R&D expenses, which amounted to HK\$183.6 million (2010: HK\$146.5 million), represented about 5.5% (2010: 3.6%) of the Group's revenue.

Selling and distribution costs

The selling and distribution costs of the Group for year 2011 increased by 31.3% to HK\$124.5 million (2010: HK\$94.8 million) in proportion to the increase in ODM smart phone sales. The ratio of the selling and distribution costs over revenue in 2011 was 3.7% (2010: 2.4%).

Administrative expenses

The Group's administrative expenses for 2011 decreased by 8.6% to HK\$98.8 million (2010: HK\$108.1 million), representing 3% (2010: 2.7%) of the revenue due to effective cost control in administrative expenses in 2011.

Segment results

	Year ended 31 December 2011			Year ended 31 December 2010		
	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %	Revenue <i>HK\$'M</i>	Gross profit <i>HK\$'M</i>	Gross profit margin %
Handsets and solutions	2,608.1	143.0	5.5%	3,170.2	344.8	10.9%
Wireless communication modules	593.6	114.5	19.3%	721.7	134.7	18.7%
Display modules	132.4	11.4	8.6%	142.1	12.7	9.0%
Total	<u>3,334.1</u>	<u>268.9</u>	<u>8.1%</u>	<u>4,034.0</u>	<u>492.2</u>	<u>12.2%</u>

Handsets and solutions

In 2011, the revenue for handsets and solutions decreased year-on-year by 17.7% to HK\$2,608.1 million (2010: HK\$3,170.2 million). This was attributable to the fact that the growth in the Group's ODM sales in the second half year could not offset the decrease in the solutions business. The fierce price competition within the traditional handset open market in 2011, together with the gross profit of the Group's several key high-end ODM projects for the Japanese customers were much lower than the management's anticipation, as a result, the gross profit margin for this segment decreased to 5.5% (2010: 10.9%) in 2011. The Group has launched 160 (2010: 216) handset models and 58 (2010: 86) handset platforms in 2011.

Wireless communication modules

In 2011, the revenue for wireless communication modules decreased by 17.8% as compared to that of year 2010. The decline was driven by the Group's determination to reduce the unprofitable low value-added module business, such as TD-SCDMA. The gross profit margin for this segment increased slightly to 19.3% (2010: 18.7%) for year 2011.

Display modules

The display modules had been included as part of the Group's full handset sales, revenue from display modules would also have been accounted for as part of full handset sales and consequently, actual growth of display modules was embed in the Group's ODM business. The external display modules sales for year 2011 decreased slightly by 6.8% as compared with those of 2010 and the gross profit margin was maintained at 8.6% (2010: 9.0%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At 31 December 2011, the Group had bank balances (including pledged bank deposits) of HK\$672.7 million (2010: HK\$1,151.4 million), among which 66.5% was held in Renminbi, 33.3% was held in United States dollars (“US dollars”) and the remaining balance was held in Hong Kong dollars. The Group intends to finance its working capital and capital expenditure plans from such bank balances.

The Company listed 137,500,000 units of Taiwan depository receipts (“TDR”), each unit of TDR represents two shares of the Company, on the Taiwan Stock Exchange Corporation on 25 April 2011. The 137,500,000 units of TDR represent 275,000,000 shares of the Company, of which the Company issued 137,500,000 new shares at approximately HK\$1.60 per share and Info Dynasty Group Limited, a substantial shareholder of the Company transferred 137,500,000 shares as underlying securities of the TDR. The Company raised net proceeds after deducting the relevant expenses of approximately HK\$214 million. In 2011, the Group utilised the said proceeds for the construction of Shenyang factory and purchase of machinery equipment.

At 31 December 2011, the Group had bank borrowings of HK\$511.5 million (2010: HK\$640.3 million). The turnover period of the Group’s inventory increased to 63 days (2010: 44 days) in 2011. This increase was because there was about 37% (2010: 14%) of the inventory as at 31 December 2011 were finished products which most of those were prepared for shipment in January 2012. The trade receivables together with notes and bills receivables increased to 53 days (2010: 20 days) in 2011 because the notes receivables, with 90 dued days, increased to HK\$631.5 million (2010: HK\$124.3 million) as at 31 December 2011. The trade and notes payables were 88 days in 2011 (2010: 52 days). The turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

Other than entering non-deliverable foreign exchange forward contracts to eliminate the foreign exchange exposures in USD denominated bank borrowings, the management of the Group considered that it was not necessary to use any other financial instrument for hedging purpose or adopt any particular hedging policy in 2011. As at 31 December 2011, the Company had 1,704,999,000 ordinary shares of HK\$0.10 each in issue.

CASH FLOW STATEMENT HIGHLIGHTS

	2011 <i>HK\$' million</i>	2010 <i>HK\$' million</i>
Net cash (used in) from operating activities	(41.6)	263.3
Capital expenditure	(333.3)	(144.6)
Development costs	(180.7)	(159.8)
Net (decrease) increase in bank borrowings	(147.4)	366.4
Issue of shares	230.0	37.3
Repurchase of shares	(18.6)	–
Dividend paid	(68.8)	(73.6)
Others	81.8	1.0
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(478.6)	290.0

The Group's net decrease in cash and cash equivalents for the year 2011 was primarily attributable to the cash outflows from operating activities, the capital expenditures, the payment of year 2010 final and year 2011 interim dividends, and have been offset by the net proceeds received from issue of shares of the Company.

GEARING RATIO

As at 31 December 2011, the total assets value of the Group was HK\$3,841.5 million (2010: HK\$3,151.3 million) and the bank borrowings amounted to HK\$511.5 million (2010: HK\$640.3 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 13.3% (2010: 20.3%).

EMPLOYEES

As at 31 December 2011, the Group had approximately 3,381 (2010: 3,455) 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\$460.4 million (2010: HK\$308.8 million) during the year 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the 12 months ended 31 December 2011, the Company had repurchased 22,820,000 shares of the Company on the Stock Exchange. The repurchased shares were cancelled subsequently in July and August 2011. Details of the repurchase were as follows:

Month of repurchase	Number of shares repurchased '000	Price per share		Aggregate price paid (inclusive of related expenses) HK\$ '000
		Highest HK\$	Lowest HK\$	
June 2011	16,590	0.86	0.75	13,195
July 2011	6,230	0.90	0.84	5,422
	<u>22,820</u>			<u>18,617</u>

Other than the shares repurchased by the Company disclosed above, 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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

Except for code provision E.1.2 as mentioned below, the Company has complied with the applicable code provisions laid down in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2011.

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 13 May 2011 ("2011 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 2011 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 of the Company together with Mr Liu Hing Hung, an independent non-executive Director and the chairman of the audit committee of the Company, were also available at the 2011 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 2011.

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 2011 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 2011 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 Xie Linzhen and Mr Dong Yunting.

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, 22 March 2012

** For identification purposes only*