

Group Financial Highlights

	Unaudited consolidated		Percentage of increase
	For the six months ended 30 June		
	2005	2004	
• Turnover (HK\$ million)	927	579	60%
• Gross profit (HK\$ million)	172	98	77%
• Gross profit margin	18.61%	16.84%	11%
• Profit attributable to equity holders of the Company	110	49	125%
• Basic earnings per share (HK cents)	9.7	4.3	126%

The initial listing of the shares of SIM Technology Group Limited (the "Company") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "SEHK") on 30 June 2005 marked the most important event of the Company and its subsidiaries (the "Group") in 2005. As a listed company, the Company understands that one of its key obligations would be to maximise shareholder value, this was demonstrated by the many significant technological milestones which have been achieved by the Group during the first half of 2005, which involved the establishment of a fundamental framework for meeting the increasing demands of the Group's customers. It is also the Group's goal to continue to increase its transparency to investors and the public and to strive to maintain a high standard of corporate governance.

BUSINESS REVIEW

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

The domestic mobile handset market growth momentum in the People's Republic of China (the "PRC") continued and recorded about 15% growth in the first six months of 2005 (CCID Consulting Company Limited). Capitalising on this strong growth momentum, the Group shipped 1,513,000 units of complete mobile handsets and handset design solutions (in Semi Knock-Down ("SKD")/Complete Knock-Down ("CKD") form) in the first half of 2005, a growth of 1.4 times year-on-year.

The driver for the spectacular growth was the popularity of the Group's camera and multimedia handset designs and product solutions. Our multimedia handset designs have proven to be a big success in the first half of 2005 and we expect demand for our MP3 and MPEG4 phones to continue to grow in the second half of this year.

There were encouraging progresses in new products developments and customer base expansion. Five new Global System for Mobile Communications ("GSM") mother-board platforms and 61 handset models were designed and launched during the first half of 2005. The Group further enlarged its customer base in both domestic as well as international markets and shipped 2.75G EDGE (enhanced data rates for GSM evolution) handsets and EDGE wireless modem to TIM, a leading telecom service provider in Italy in June this year. The Group also signed new memoranda of understanding in July 2005 to provide multimedia handsets and solutions to Ningbo Bird (a PRC leading handset company), VK Mobile (a Korean handset company) and sizeable sales orders have been received from Ningbo Bird.

LCD modules

The Group moved to a new factory with greater manufacturing capacity at the end of 2004 in order to increase the productivity of liquid crystal display ("LCD") modules for mobile handsets and established a full scale LCD module and mobile handset reliability testing laboratory.

GSM/GPRS modules

Coupled with the Group's experience in developing mobile handsets technologies, the Group is well positioned to develop new wireless communication platforms for industrial applications. In the first half of 2005, a growth of 34.87% in the sale of GSM/General Packet Radio Service ("GPRS") modules was achieved as compared with the same period of last year.

Design and development

Design and development has remained as the Group's top priority and core competence. The Group recruited 125 more engineers in the first half of 2005 and the number of design and development engineers increased to 497 as at 30 June 2005. Starting from April 2005, a team of 40 design and development engineers has been dedicated to the development of the China TD-SCDMA 3G (as defined in the prospectus dated 21 June 2005 issued by the Company (the "Prospectus")) solutions.

DIVIDEND POLICY

The board of directors (the "Board") did not recommend the payment of an interim dividend for the six months ended 30 June 2005. However, in view of the continuous strong cash flow generated from operations, the Company plans to distribute 35% of the Group's distributable profit as dividend, but the actual amount of dividend and its percentage of the profit will be decided at the discretion of the Board and will depend upon the Company's future operation and earnings, capital demand and surplus, general financial condition, contractual restrictions, and other factors that the Board deems relevant.

Chairman's Statement

PROSPECTS

The Group's objective is to become a leading global mobile handset developer. After the listing of the Company on 30 June 2005, the Group has been focusing on devising and developing new designs and technological solutions to meet customers' needs and continuously expanding its service to international customers.

In the second half of 2005, the Group intends to launch more handset models with multimedia functions, slide phones and smart phones. In view of the consistent growing demand in mobile handsets, from both new mobile handset subscribers and replacement markets, the management is optimistic about the business outlook for the second half of 2005 and strives to maintain this growth momentum in future years.

APPRECIATION

On behalf of the Board, I would like to thank our shareholders, customers, suppliers, bankers and professional advisers for their support of the Group and to extend my appreciation to all our staff for their dedication and contribution throughout the period.

Yeung Man Ying
Chairman

Hong Kong, 23 August 2005

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2005, the Group achieved profit attributable to shareholders of HK\$109.5 million (2004: HK\$48.6 million), representing a growth of 125.31% as compared with the same period of last year. The basic earnings per share was HK9.7 cents (2004: HK4.3 cents), an increase of 125.58% over the same period of 2004.

For the first half of 2005, the Group recorded a turnover of HK\$926.7 million (2004: HK\$579.2 million), representing a growth of 60% as compared with the same period of last year, primarily due to overall sales growth in all business segments.

The gross profit for the first half of 2005 increased 76.92% to HK\$172.5 million (2004: HK\$97.5 million) as compared with the same period of 2004. The gross profit margin for the first half of 2005 increased to 18.61% as compared to 16.84% for the same period of 2004. The increase in gross profit margin was mainly due to the significant increase in the sale of complete mobile handsets and handset design solutions (in SKD/CKD form) which have relatively higher profit margins.

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

For the first half of 2005, revenue from complete mobile handsets increased significantly by 760.31% to HK\$221.1 million (2004: HK\$25.7 million) as compared with same period of 2004. The Group shipped 280,000 units of complete mobile handsets for the first half of 2005 as compared with 28,000 units for the same period of last year.

For the first half of 2005, revenue from handset design solutions (in SKD/CKD form) increased 72.32% to HK\$431.5 million (2004: HK\$250.4 million) as compared with same period of 2004.

The strong growth of complete mobile handsets and handset design solutions (in SKD/CKD form) was attributable to the unique design and leading edge technology in the Group's products.

Management's Discussion and Analysis

LCD modules and others

In order to increase the overall gross profit margin, the Group's strategy is to shift its focus from external sale of LCD modules to the sale of mobile handsets which has a higher profit margin. For the first half of 2005, external revenue from LCD modules (excluding inter-segment sales) decreased 17.45% as compared with same period of 2004, while the inter-segment sales increased 11.86 times.

GSM/GPRS modules

The revenue from GSM/GPRS modules recorded a growth of 34.87% for the first half of 2005 as compared with the same period of last year, as the products developed by the Group were widely applied for industrial purposes.

USE OF PROCEEDS OF GLOBAL OFFERING

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

Other than the proceeds of HK\$33.3 million which was used to repay the other borrowings, the above-mentioned proceeds have been placed in banks as short-term deposits as at 30 June 2005.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's financial position is strong and healthy. As at 30 June 2005, the Group had bank balances of HK\$752.1 million, of which 10.77% was held in Renminbi, 76% was held in Hong Kong dollars and the remaining balance was held in United States ("US") dollars. The bank balances are expected to be used to repay the Group's outstanding bank loans, finance the Group's working capital and capital expenditure plans in developing new technologies for mobile handsets.

Management's Discussion and Analysis

As at 30 June 2005, the Group had total bank borrowings amounting to HK\$206.1 million of which 77.29% was denominated in Renminbi, and 22.71% was denominated in Hong Kong dollars. The bank borrowings of HK\$159.3 million, including bank loan of HK\$80.2 million and factored notes receivables of HK\$79.1 million, were repayable within one year, and the remaining balance was repayable within two to five years. The annual interest rate on the above bank borrowings ranged from 3.7% to 5.3%. As at date of this report, the Group has repaid all its outstanding bank loans.

The Group has not used any financial instrument for hedging purpose or adopted particular hedging policy.

As at 30 June 2005, the Company had an issued capital comprising 1,500,000,000 ordinary shares of HK\$0.10 each.

PLEDGE OF ASSETS

As at 30 June 2005, the Group had total secured short-term bank borrowings amounting to HK\$100.8 million. Secured short-term bank borrowings of HK\$79.1 million were factored notes receivables and the remaining short-term bank borrowings of HK\$21.7 million were secured by notes receivables with carrying value of HK\$24.2 million (portion of the notes receivables amounted to HK\$12.5 million has become due before 30 June 2005 and represented as pledged bank deposits in the interim financial statements). Moreover, a bank deposit of HK\$7.9 million was pledged as security for general banking facilities and such facilities were unutilised as at 30 June 2005.

GEARING RATIO

As at 30 June 2005, the total assets value of the Group was HK\$1,498.2 million (31 December 2004: HK\$928.9 million) and the total bank and other borrowings were HK\$206.1 million (31 December 2004: HK\$133.5 million). The gearing ratio of the Group, calculated as total bank and other borrowings over total assets, was 13.76% (31 December 2004: 14.37%).

Management's Discussion and Analysis

EMPLOYEES

As at 30 June 2005, the Group had 1,494 (30 June 2004: 1,077) employees. The majority of the increase in staff were design and development engineers during the first half of 2005 in order to enhance the Group's competitive strengths in design and development capabilities. Total staff costs (including directors' emoluments) of the Group incurred during the six months ended 30 June 2005 amounted to HK\$50 million (2004: HK\$26.2 million).

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation of the PRC. The Group also offers discretionary bonuses to its employees by reference to individual performance and the performance of the Group.

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

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

FOREIGN EXCHANGE EXPOSURE

Since most of the sales of the Group are denominated in Renminbi and most of the purchases of inventories are denominated in US dollars, the Directors believes the Group's risk exposure to foreign exchange rate fluctuations is minimal as a result of the recent appreciation of Renminbi's value.

On the other hand, as the Renminbi's peg to US dollars has been replaced by a more elastic exchange rate regime, the Renminbi exchange rate movements might become more volatile, creating an uncertainty effect on the Group's business. The Group will continue to monitor any further changes in Renminbi's exchange rate and would proactively take measures to minimise any adverse impact that fluctuations of exchange rates might have on the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has undergone certain corporate reorganisation ("Reorganisation") in preparation for the listing of the Company's shares on the Stock Exchange. Details of the Group's Reorganisation were set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENT

Other than the investment plans as disclosed in the Prospectus, the Group did not have any other material investment plans as at 30 June 2005.

CONTINGENT LIABILITIES

As at 30 June 2005, the Group did not have any material contingent liabilities.

Interim Financial Statement

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	Six months ended 30 June	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Turnover		926,727	579,161
Cost of sales		(754,272)	(481,624)
Gross profit		172,455	97,537
Other operating income		20,160	4,076
Research and development expenses		(17,525)	(5,021)
Selling and distribution costs		(10,338)	(7,634)
Administrative expenses		(42,168)	(11,533)
Finance costs		(3,774)	(1,196)
Profit before taxation	5	118,810	76,229
Taxation	6	(4,877)	(11,557)
Profit for the period		113,933	64,672
Attributable to:			
Equity holders of the parent		109,534	48,617
Minority interest		4,399	16,055
		113,933	64,672
Dividends	8	181,435	-
Earnings per share	9		
Basic		9.7 cents	4.3 cents
Diluted		9.6 cents	N/A

Interim Financial Statement

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2005

	Notes	30 June 2005 HK\$'000 (unaudited)	31 December 2004 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	90,397	76,274
Land use right		10,315	10,420
Intangible assets	10	27,414	25,319
Deferred tax assets	11	3,415	3,108
		131,541	115,121
Current assets			
Inventories		330,555	314,512
Trade receivables	12	43,583	60,704
Notes receivables	12	139,934	114,525
Other receivables, deposits and prepayments		100,515	115,130
Taxation recoverable		–	2,442
Pledged bank deposits	13	20,395	7,800
Bank balances and cash		731,696	198,652
		1,366,678	813,765
Current liabilities			
Trade payables	14	357,625	324,568
Other payables, deposits received and accruals		107,356	114,041
Amounts due to related parties		–	33,684
Amounts due to directors		–	79,141
Taxation payable		473	–
Bank borrowings	15	159,301	100,209
Other borrowings		–	33,302
		624,755	684,945
Net current assets		741,923	128,820
Total assets less current liabilities		873,464	243,941

Interim Financial Statement

	Notes	30 June 2005 HK\$'000 (unaudited)	31 December 2004 HK\$'000 (audited)
Capital and reserves			
Share capital	16	150,000	15
Reserves		676,664	196,031
Equity attributable to equity holders of the parent		826,664	196,046
Minority interests		–	47,895
Total equity		826,664	243,941
Non-current liability			
Bank borrowing	15	46,800	–
		873,464	243,941

Interim Financial Statement

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000	Share- holder's contribution surplus HK\$'000	Contribution surplus HK\$'000	Share option reserve HK\$'000	Accu- mulated profits HK\$'000	Total equity attributable to equity holders of the parent HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2004	15	-	3,885	-	-	-	36,612	40,512	10,841	51,353
Arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	(6,634)	(6,634)
Profit for the period	-	-	-	-	-	-	48,617	48,617	16,055	64,672
At 30 June 2004 (Note a)	15	-	3,885	-	-	-	85,229	89,129	20,262	109,391
At 1 January 2005 (Note b)	15	-	20,964	-	-	-	175,067	196,046	47,895	243,941
Arising from acquisition of subsidiaries (Note 18)	2	-	-	46,624	-	-	-	46,626	(52,294)	(5,668)
Capitalisation of loans from shareholders on Reorganisation (as defined in note 1)	78	-	-	-	50,622	-	-	50,700	-	50,700
Merger reserve arising on Reorganisation (as defined in note 1)	(95)	-	-	-	100	-	-	5	-	5
Issue of shares on Reorganisation (as defined in note 1)	150	-	-	-	-	-	-	150	-	150
Credited as fully paid from contributed surplus account	100	-	-	-	(100)	-	-	-	-	-
Placing and public offer of shares at premium	37,500	600,000	-	-	-	-	-	637,500	-	637,500
Issue of shares by capitalisation of share premium account	112,250	(112,250)	-	-	-	-	-	-	-	-
Share issue expenses	-	(33,590)	-	-	-	-	-	(33,590)	-	(33,590)
Profit for the period	-	-	-	-	-	-	109,534	109,534	4,399	113,933
Recognition of equity settled share based payments	-	-	-	-	-	1,128	-	1,128	-	1,128
Dividends paid	-	-	-	-	-	-	(181,435)	(181,435)	-	(181,435)
At 30 June 2005	150,000	454,160	20,964	46,624	50,622	1,128	103,166	826,664	-	826,664

Interim Financial Statement

Notes:

- (a) The share capital as at 30 June 2004 represented the nominal value of the issued share capital of Sunrise Electronic Industry Limited ("SEIL") prior to the Reorganisation as defined in note 1.
- (b) The share capital as at 1 January 2005 represented the nominal value of the issued share capital of SIM Technology Group (BVI) Limited ("STG") prior to the Reorganisation as defined in note 1.

Interim Financial Statement

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	131,199	(31,850)
NET CASH USED IN INVESTING ACTIVITIES	(31,095)	(46,305)
NET CASH FROM FINANCING ACTIVITIES		
Issue of shares	637,500	-
New bank borrowings raised	157,779	73,066
Share issue expenses	(33,590)	-
Repayment of bank and other borrowings	(85,189)	(9,434)
Dividends paid	(181,435)	-
Repayment to directors	(33,683)	-
Repayment to related parties	(28,442)	-
Advance from a director	-	18,153
Advances from related parties	-	26,815
	432,940	108,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	533,044	30,445
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	198,652	24,973
CASH AND CASH EQUIVALENTS AT END OF PERIOD	731,696	55,418
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY BANK BALANCES AND CASH	731,696	55,418

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION AND GROUP REORGANISATION

The Company was incorporated in Bermuda on 27 October 2004 as an exempted company under the Companies Act 1981 of Bermuda (as amended) with limited liability. Its ultimate holding company is Info Dynasty Group Limited ("Info Dynasty"), a company incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of LCD modules, complete mobile handsets, handset design solutions (in SKD/CKD form), and wireless communications modules.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board ("IASB").

Pursuant to the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on SEHK, the Company became the holding company of the Group on 3 June 2005 by issuing shares of the Company in exchange for the entire issued share capital of STG. Details of the Reorganisation are set out in the Prospectus.

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

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2005 have been prepared using the principle of merger accounting, except for the changes in effective interest in subsidiaries which have been accounted for using the purchase method accounting in accordance with International Financial Reporting Standard ("IFRS") 3 "Business Combination" from the effective date of acquisition.

The condensed consolidated income statement and cash flow statement for the six months ended 30 June 2004 and the condensed consolidated balance sheet as at 31 December 2004 were prepared on a combined basis as if the current group structure, other than the changes disclosed below, had been in existence throughout these periods.

The following changes in the effective interests in subsidiaries were accounted for by the purchase method of accounting:

- a. The acquisition of 7% additional interests in Shanghai Sunrise Electronic Technology Co., Ltd., a non-wholly owned subsidiary of the Company, by SEIL in June 2004.
- b. Acquisition of subsidiaries on 31 January 2005, details of the transactions are set out in note 18.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's accountants' report for the three years ended 31 December 2004 for inclusion in the Prospectus, except as described below.

In the current period, the Group has applied for the first time, a number of new IFRSs, IASs and Interpretations (hereinafter collectively referred to as "new IFRSs") issued by IASB and the International Financial Reporting Interpretations Committee of the IASB that are effective for accounting periods beginning on or after 1 January 2005. The application of the new IFRSs has resulted in a change in the presentation of the condensed consolidated income statement,

condensed consolidated balance sheet and the condensed consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new IFRSs has effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based payments

In the current period, the Group has applied IFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of IFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. The Group has applied IFRS 2 to share options granted on or after 1 January 2005. The effect of the changes in the accounting policy has resulted in the decrease of the net profit for the current period by approximately HK\$1,128,000. Comparative figures had not been restated as the Company did not grant any option before 1 January 2005.

Land use right

In previous period, land use right was carried at cost less accumulated amortisation and any recognised impairment loss. In the current period, the Group has applied IAS 17 "Leases". Under IAS 17, land use right is carried at cost and amortised over the lease term on a straight-line basis.

4. BUSINESS SEGMENTS

Business segments

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

Interim Financial Statement

Segment information about these businesses is presented below:

For the six months ended 30 June 2005

	Sale of LCD modules and others HK\$'000	Sale of GSM/ GPRS modules HK\$'000	Sale of complete mobile handsets HK\$'000	Sale of handset design solutions (in SKD/ CKD form) HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover						
External sales	212,300	61,840	221,118	431,469	-	926,727
Inter-segment sales	86,234	-	-	-	(86,234)	-
	<u>298,534</u>	<u>61,840</u>	<u>221,118</u>	<u>431,469</u>	<u>(86,234)</u>	<u>926,727</u>
Result						
Segment result	<u>13,573</u>	<u>6,629</u>	<u>30,108</u>	<u>82,623</u>	<u>-</u>	<u>132,933</u>
Unallocated other operating income						724
Finance costs						(3,774)
Unallocated corporate expenses						<u>(11,073)</u>
Profit before taxation						118,810
Taxation						<u>(4,877)</u>
Profit for the period						<u><u>113,933</u></u>

Interim Financial Statement

For the six months ended 30 June 2004

	Sale of LCD modules and others HK\$'000	Sale of GSM/ GPRS modules HK\$'000	Sale of complete mobile handsets HK\$'000	Sale of handset design solutions (in SKD/ CKD form) HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover						
External sales	257,171	45,851	25,737	250,402	-	579,161
Inter-segment sales	6,708	-	-	-	(6,708)	-
	<u>263,879</u>	<u>45,851</u>	<u>25,737</u>	<u>250,402</u>	<u>(6,708)</u>	<u>579,161</u>
Result						
Segment result	<u>24,214</u>	<u>2,815</u>	<u>3,116</u>	<u>46,511</u>	-	<u>76,656</u>
Unallocated other operating income						919
Finance costs						(1,196)
Unallocated corporate expenses						(150)
Profit before taxation						<u>76,229</u>
Taxation						<u>(11,557)</u>
Profit for the period						<u><u>64,672</u></u>

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	18,925	11,367
Released of land use right to income statement	105	-
Depreciation of property, plant and equipment	5,886	2,222
Less: Amount capitalised in intangible assets	(586)	(149)
	5,300	2,073
Staff costs including directors' emoluments	50,035	26,223
Less: Amount capitalised in intangible assets	(8,751)	(6,641)
	41,284	19,582
Allowances for inventory obsolescence and written off of inventories (included in the cost of sales)	5,137	13,251
Refund on Value Added Tax	(18,738)	(3,129)
Interest income	(723)	(408)
Discount on acquisition of a subsidiary	-	(512)
	-	(512)

Interim Financial Statement

6. TAXATION

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Tax charge (credit) comprises:		
The People's Republic of China (the "PRC") income tax	5,184	11,557
Deferred tax credit (note 11)	(307)	-
	<u>4,877</u>	<u>11,557</u>

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

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

7. SHARE OPTIONS

The Company has a Pre-IPO Share Option Scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	–
Granted during the period	44,000,000
Outstanding at the end of the period	<u>44,000,000</u>

As mentioned in note 3, the Group has, for the first time, applied IFRS 2 Share-based Payments to account for its share options in the current period. In accordance with IFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of approximately HK\$1,128,000 has been recognised with a corresponding adjustment recognised in the Group's share option reserve.

In the current period, share options were granted on 30 May 2005. The fair values of the options determined at the date of grant using the Black-Scholes option pricing model was approximately HK\$32,000,000.

The following assumptions were used to calculate the fair values of share options:

Share price (Note i)	HK\$1.70
Exercise price (Note ii)	HK\$1.02
Expected life of options (Note iii)	10 years
Expected volatility	33.3%
Expected dividend yield	3.9%
Risk free rate	3.8%

For the purposes of calculating of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

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The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

- (i) The share price of the Company's shares at the date of grant of the options was estimated to be HK\$1.7 per share, which is equal to the offer price.
- (ii) The exercise price is 60% of the offer price.
- (iii) The options life is 10 years from the date of grant.

8. DIVIDENDS

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

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	109,534	48,617
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,127,072	1,125,000
Effect of dilutive potential ordinary shares:		
Share options	17,600	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,144,672	N/A

The calculation of weighted average number of ordinary shares for the six months ended 30 June 2005 and 30 June 2004 were based on the assumption that the Reorganisation had been completed on 1 January 2005 and 1 January 2004 respectively.

Diluted earnings per share for the six months ended 30 June 2004 was not disclosed as there was no dilutive potential ordinary shares.

Interim Financial Statement

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$19,203,000 (1 January 2004 to 30 June 2004: HK\$24,078,000).

During the period, additions to the Group's intangible assets amounted to approximately HK\$21,020,000 (1 January 2004 to 30 June 2004: HK\$18,294,000).

11. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised by the Group and movement thereon during the current and prior reporting period.

	Allowance for inventories and trade receivables HK\$'000
At 1 January 2004	2,935
Credit to income statement	-
At 30 June 2004	<u>2,935</u>
At 1 January 2005	3,108
Credit to income statement	<u>307</u>
At 30 June 2005	<u><u>3,415</u></u>

12. TRADE RECEIVABLES AND NOTES RECEIVABLES

The Group allows an average credit period of 0-30 days to its trade customers.

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

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
0-30 days	28,658	34,090
31-60 days	9,432	21,222
61-90 days	1,491	2,833
91-180 days	1,636	1,490
Over 180 days	2,366	1,069
Trade receivables	<u>43,583</u>	<u>60,704</u>
0-30 days	80,928	91,300
31-60 days	34,927	10,906
61-90 days	17,858	12,319
91-180 days	6,221	-
Notes receivables (Note)	<u>139,934</u>	<u>114,525</u>

Note: The amounts represent the promissory notes issued by banks received from customers.

13. PLEDGED BANK DEPOSITS

Deposits amounting to HK\$20,395,000 (31 December 2004: HK\$7,800,000) have been pledged to banks for short term banking facilities granted to the Group and are therefore classified as current assets.

Interim Financial Statement

14. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
0-30 days	179,609	132,476
31-60 days	85,587	83,936
61-90 days	72,532	31,133
Over 90 days	19,897	77,023
	<u>357,625</u>	<u>324,568</u>

15. BANK BORROWINGS

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Secured	100,811	24,738
Unsecured	105,290	75,471
	<u>206,101</u>	<u>100,209</u>

Interim Financial Statement

The maturity of the above borrowings is as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Within one year	159,301	100,209
More than one year but not exceeding five years	46,800	-
	<u>206,101</u>	<u>100,209</u>
Less: Amount due within one year shown under current liabilities	(159,301)	(100,209)
Amount due after one year	<u>46,800</u>	<u>-</u>

At 30 June 2005, bank borrowings of HK\$88,216,000 (31 December 2004: HK\$24,738,000) were secured by notes receivables of the Group.

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16. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
On the date of incorporation	1,000	100
Increase during the period (note a(i))	2,999,000	299,900
At 30 June 2005	3,000,000	300,000
Issued:		
1,000,000 shares allotted and issued nil paid on the date of incorporation	1,000	-
Issue of shares on Reorganisation	1,500	150
Credited as fully paid from contributed surplus account	-	100
Issue of shares by capitalisation of share premium account (note a(ii))	1,122,500	112,250
Placing and public offer of shares (note b)	375,000	37,500
At 30 June 2005	1,500,000	150,000

The Company was incorporated in Bermuda on 27 October 2004 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued, nil paid to Info Dynasty.

Notes:

- (a) Pursuant to the written resolutions passed by the shareholders of the Company on 30 May 2005:
- (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$300,000,000 by the creation of an additional 2,999,000,000 shares to rank *pari passu* in all respects with the shares then in issue of HK\$0.10 each.

- (ii) conditional on the share premium account of the Company being credited as a result of the placing and public offer of the Company's shares, the Directors were authorised to capitalise a sum of HK\$112,250,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full 1,122,500,000 shares for the allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 8 June 2005 pro-rata as nearly as may be to their then existing shareholdings in the Company.
- (b) On 29 June 2005, by means of placing and public offer, the Company issued a total of 375,000,000 new shares of HK\$0.10 each at a price of HK\$1.7 per share.

The shares which were issued during the period rank pari passu with each other in all respects.

The share capital as at 31 December 2004 represented the nominal value of the issued share capital of STG prior to the Reorganisation.

17. CAPITAL COMMITMENTS

	30 June 2005 HK\$	31 December 2004 HK\$
<hr/>		
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– factory construction	24,604	33,597
	<hr/>	<hr/>
Capital expenditure authorised but not contracted for:		
– factory construction	4,686	4,686
– acquisition of plant and machinery	13,787	–
	<hr/>	<hr/>
	18,473	4,686
	<hr/>	<hr/>

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18. ACQUISITION OF SUBSIDIARIES

On 31 January 2005, the Group acquired 100% of SIM Technology (HK) Limited, Simcom International Holdings Limited and Suncom International Holdings Limited in consideration of the allotment and issue of 231 shares of US\$1 each of STG. The transactions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	HK\$'000
Property, plant and equipment	864
Interests in associates (Note)	52,294
Other receivables	1,780
Bank and cash balances	21,718
Other payables, deposits received and accruals	(30,030)
	<u>46,626</u>
Total consideration satisfied by 231 shares of STG @ US\$1	<u>46,626</u>
Net cash inflow arising on acquisition	<u>21,718</u>

The subsidiaries acquired during the period contributed approximately HK\$245,000 to the Group's turnover, and a profit of approximately HK\$24,702,000 to the Group's profit before taxation.

If the acquisition had been completed on 1 January 2005, total group revenue for the period would have been approximately HK\$926,727,000, and profit for the period would have been approximately HK\$113,933,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be projection of future results.

Note: Interest in associates represented 25% net assets value of Shanghai Simcom and Suncom Logistics which are non-wholly owned subsidiaries of the Company as at the date of acquisition. The Group owned 100% equity interests in Shanghai Simcom and Suncom Logistics upon the completion of the acquisition.

19. RELATED PARTY TRANSACTIONS

During the six-month period ended 30 June 2005, the Group had entered into the following related party transactions:

	Notes	Six months ended 30 June	
		2005	2004
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Sales to a minority shareholder of a subsidiary			
- Ningbo Bird Co., Ltd.			
寧波波導股份有限公司		-	63,935
Sales to related companies			
- Shanghai Suntech Co., Ltd.			
上海晨科通信設備有限公司	(a)	-	9,449
Rental fee paid to a related company			
- Shanghai Sunrise Real Property Development Company Limited			
上海晨興房產開發有限公司	(b)	-	94
Commission fee paid to a related company			
- Shanghai Xinzhan Limited			
上海鑫展信息設備工程有限公司	(b)	192	-
Interest expense paid to a related company			
- Shanghai Sunrise Display Limited			
上海晨顯電子有限公司	(c)	552	-

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Notes:

- (a) Ms. Yeung Man Ying is the shareholder of the company.
- (b) Mr. Wong Cho Tung and Ms. Yeung Man Ying have full voting control power of Shanghai Sunrise Real Property Development Company Limited and Shanghai Xinzhan Limited.
- (c) Mr. Wong Cho Tung and Ms. Yeung Man Ying are the beneficial owners of the company.

Mr. Wong Cho Tung and Ms. Yeung Man Ying are the directors of the Company.

In the opinion of the directors, the above transactions were carried out in the ordinary course of the Group's business.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES

As at 30 June 2005, the interests and short positions of the directors and chief executives of the Company in the shares and debentures of the Company or the shares or debentures of any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Name of corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the corporation
Mr Wong Cho Tung	Company	Corporate interest (note 1)	1,125,000,000	75.00%
	Info Dynasty	Personal interest	1,000	49.95%
Ms Yeung Man Ying	Company	Corporate interest (note 2)	1,008,675,000	67.245%
	Infor Dynsaty	Personal interest	1,000	49.95%
Mr Wong Hei, Simon	Info Dynasty	Personal interest	1	0.05%
Mr Wong Sun	Info Dynasty	Personal interest	1	0.05%

Other Information

Notes:

1. Mr Wong Cho Tung ("Mr Wong") controls more than one-third of the voting power of Info Dynasty. Mr Wong is therefore deemed to be interested in all the 1,008,675,000 shares held by Info Dynasty in the Company. Both Simcom Limited ("Simcom (BVI)") and Intellipower Investments Limited ("Intellipower") are wholly-owned by Mr Wong and he is therefore deemed to be interested in all the 48,825,000 shares and 67,500,000 shares held by Intellipower and Simcom (BVI) in the Company, respectively.
2. Ms Yeung Man Ying ("Mrs Wong") controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 1,008,675,000 shares held by Info Dynasty in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of their relevant interest in the issued share capital of the Company:

Shareholder	Nature of interest	Number of shares	Approximate percentage of issued share capital of the Company
Info Dynasty Group Limited	Beneficial and other interest	1,008,675,000	67.245%
Mr Wong Cho Tung (Note 1)	Corporate interest	1,125,000,000	75.00%
Ms Yeung Man Ying (Note 2)	Corporate interest Family interest	1,008,675,000 116,325,000	67.245% 7.755%

Notes:

1. Mr Wong Cho Tung ("Mr Wong") controls more than one-third of the voting power of the Info Dynasty. Mr Wong is therefore deemed to be interested in all the 1,008,675,000 shares held by Info Dynasty in the Company. Since both Simcom Limited ("Simcom (BVI)") and Intellipower Investments Limited ("Intellipower") are wholly-owned by Mr Wong, he is therefore deemed to be interested in all the 48,825,000 shares and 67,500,000 shares held by Intellipower and Simcom (BVI) in the Company, respectively.
2. Ms Yeung Man Ying ("Mrs Wong") controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 1,008,675,000 shares held by Info Dynasty in the Company. Since Mrs Wong is the spouse of Mr Wong, she is deemed to be interested in all the 48,825,000 shares and 67,500,000 shares held by Intellipower and Simcom (BVI) in the Company, respectively, in which Mr Wong is deemed to be interested.

SHARE OPTIONS

Under the Pre-IPO Share Option Scheme (as defined in the Prospectus), certain directors of the Company and employees of the Group have personal interests in share options which had been granted to them to subscribe for shares in the Company as follows:

Name of director	Date of grant	Exercises price per share HK\$	Outstanding	Grant during	Exercise during	Outstanding
			at 1 January 2005	the six months ended 30 June 2005	the six months ended 30 June 2005	at 30 June 2005
Tsang Hen Loon, Raymond	30 May 2005	1.02	-	3,000,000	-	3,000,000
Zhang Jianping	30 May 2005	1.02	-	3,000,000	-	3,000,000
Tang Rongrong	30 May 2005	1.02	-	750,000	-	750,000
Other employees of the Group	30 May 2005	1.02	-	37,250,000	-	37,250,000
Total			<u>-</u>	<u>44,000,000</u>	<u>-</u>	<u>44,000,000</u>

Notes:

1. In relation to each grantee of the options granted under the Pre-IPO Share Option Scheme, 25% of his options will vest during the period from 1 April 2006 to 31 December 2006 and in each of the three calendar years from 1 January 2007 to 31 December 2009. Subject to the vesting period above and the terms of the Pre-IPO Share Option Scheme, an option may be exercised by the grantee at any time during the period of 10 years commencing on the date of grant.
2. Save for the options that were granted to the directors of the Company and employees of the Group on 30 May 2005, which all have the same terms, no other options were granted during the six-month period ended 30 June 2005.
3. None of the options granted under the Pre-IPO Share Scheme was exercised during the six-month period ended 30 June 2005.
4. No option granted under the Pre-IPO Share Option Scheme was cancelled or lapsed during the six-month period ended 30 June 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Company was only listed on the Stock Exchange on 30 June 2005, the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") was not applicable to the Company for most of the accounting period covered by the interim report. However, for the remaining period since the listing of the Company's shares on the Stock Exchange covered by the interim report, the Company and its directors confirm, to their best knowledge, that the Company has complied with the applicable code provisions of the Corporate Governance Code.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the directors (the "Code"). Having made specific enquiry of all directors of the Company, the Company confirms that all directors of the Company have complied with the required standard set out in the Code for the period under review.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and discussed auditing, financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2005. In addition, the condensed consolidated financial statements of the Company for the six months ended 30 June 2005 have been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu and an unqualified review report was issued. The Audit Committee comprises the three independent non-executive directors of the Company.

BOARD OF DIRECTORS

Executive Directors:

YEUNG Man Ying *Chairman*

WONG Cho Tung

TSANG Hen Loon, Raymond

ZHANG Jianping

WONG Hei, Simon

WONG Sun

TANG Rongrong

Independent Non-executive Directors:

HENG Kwo Seng

WANG Chengwei

ZHUANG Xingfang

COMPANY SECRETARY

CHAN Yee Tak

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Norton Rose

PRINCIPAL BANKERS

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Bank of Communications

Shanghai Pudong Development Bank

Wai Gao Qiao Free Trade Zone Sub-branch

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