



SIM TECHNOLOGY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 2000)



GROUP FINANCIAL HIGHLIGHTS

	Unaudited consolidated For the six months ended 30 June		Approximate percentage of increase
	2008	2007	
• Revenue (HK\$ million)	1,507	1,113	35%
• Gross profit (HK\$ million)	208	149	39%
• Gross profit margin	13.80%	13.43%	3%
• Net Profit (HK\$ million)	123	90	37%
• Basic earnings per share (HK cents)	8.1	5.9	37%
• Interim dividend per share (HK cents)	3	3	-

CHAIRMAN'S STATEMENT

Business Review

The Group achieved satisfactory results with increased contributions from all facets of its business in the first half of the financial year of 2008 (the "period under review"). The Group posted another record of unit shipment of its mobile handset solution and wireless communication modules and modems businesses.

To combat the pressure in the domestic feature phone market price, the Group, during the period under review continued to reduce its reliance on the domestic low-end phone market by deploying more research and development ("R&D") resources to the development of new solutions to serve the mid to high-end mobile handset demand of the China and international markets. As a result, the Group sustained a performance growth momentum with gross profit margin remained steady at 13.8%.

The Group's international business continued to grow substantially in the first half of 2008 as the proportion of overseas revenue surged 244% over the same period last year. This achievement was attributable to the business re-structuring taken by the Group together with its strong efforts to expand presence in overseas market over the years.

Despite stiff competition and tremendous price pressure in the mobile handset market, the Group achieved over 30% growth of both revenue and net profit for the period under review reflected its successful re-positioning of its business strategy in early 2007, which turned around the Group's business significantly since the second half of 2007. The management believes this continuous performance growth trend in the first half of 2008 will be maintained in future.

Mobile handset solutions

The Group continued to perform well in the first half of 2008 with 77% growth of mobile handset solutions unit shipment over the first half of 2007 to 7.1 million. Apart from achieving significant increase in overseas unit shipment and revenue, encouraging growth was also recorded in respect of the demand in analog and digital mobile TV-handset solutions, pocket PC, HSDPA modem and HSDPA USB phone together with mobile handset design service revenue from large OEM (original equipment manufacturers) and international mobile operators.

During the period under review, the Group jointly developed a high-performance TD-SCDMA handset solution operates on the SKTC (Korea SK Telecom China) application platform. Additionally, the Group continued teaming up with the strategic partner, Philips, and successfully launched a series of GSM/EDGE, TD-SCDMA and WCDMA/HSDPA handset solutions.

Wireless communication modules and modems

Our wireless communication module and modem business achieved another record of unit shipment and revenue in first half of 2008. Its sales volume and revenue increased by 66.6% and 68.8% year-on-year respectively. The volume growth was driven by the higher adoption of cellular module and modem in M2M (machine-to-machine) applications in global markets.

LCD modules

The LCD module business was also encouraging in the first half of 2008 with revenue growth of 47% year-on-year. The revenue growth was attributable to the continuous demand of the touch-panel display module in mobile handset applications, which resulted in an improvement of gross profit margin from 7.26% to 8.41% in the period under review.

Interim Dividend

The Board has resolved to declare an interim dividend for the six months ended 30 June 2008 of HK3.0 cents per share in cash (2007: HK3.0 cents per share) to shareholders whose names appear on the register of members of the Company on 18 September 2008. The interim dividend will be paid on or about 24 September 2008.

Closure of Register of Members

The Company's register of members will be closed from 16 September 2008 to 18 September 2008, both days inclusive, during such period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 12 September 2008.

CHAIRMAN'S STATEMENT

Prospects

The management expects the growth of the global handset demand will remain steady in coming years. Nevertheless, the changes of recent restructuring of the China telecom operators, the increasing scale of 3G TD-SCDMA handset and network trials and the impending of issuance of the 3G license will create tremendous business opportunities and growth momentum for the Group. In June 2008, the TD-SCDMA handset developed by the Group won 14.75% of the tender invited by China Mobile Limited out of 19 competitors. One month later, the world's first TD-SCDMA TV handset developed by the Group further won 60% of another tender invited by China Mobile Limited.

The management believes the international market will continue providing massive business opportunities to the Group by the strong demand growth of mobile handsets in Eastern Europe, Latin America and Middle-East countries and the handset solution design services to global leading handset OEMs. Recently, the Group commenced the first project with the largest Japan handset OEM and the second project is also under discussion. Additionally, the Group expects the first TD smart phone project, cooperated with one of leading handset OEM in Korea, will be launched in the third quarter of 2008.

We are optimistic about the Group's business future as we have established a solid foundation and strong R&D capabilities for sustained growth in a highly competitive market. This, coupled with the strong growth momentum of our international business will enable the Group to achieve robust performance in the years to come.

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 contribution throughout the period.

Yeung Man Ying
Chairman

Hong Kong, 27 August 2008

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial results

For the six months ended 30 June 2008 (the "reporting period" or "1H-2008"), the Group's revenue increased significantly by 35.44% to HK\$1,507.3 million (for the six months ended 30 June 2007 ("1H-2007"): HK\$1,112.9 million; for the six months ended 31 December 2007 ("2H-2007"): HK\$1,784.1 million) as compared with that of 1H-2007. The China mobile handset industry is becoming more challenging but leveraging on the Group's high performance products and continuous increase penetration into overseas markets, the Group sustained a sales growth momentum as compared to 1H-2007.

The gross profit of the Group increased by 39.14% to HK\$207.9 million (1H-2007: HK\$149.4 million; 2H-2007: HK\$261.2 million) for 1H-2008 as compared to 1H-2007 while the gross profit margin increased to 13.8% (1H-2007: 13.43%; 2H-2007: 14.64%).

The profit for the period increased by 36.76% year-on-year to HK\$122.9 million (1H-2007: HK\$89.9 million; 2H-2007: HK\$150.8 million) for the reporting period. The basic earnings per share increased 37.29% year-on-year to HK8.1 cents (1H-2007: HK5.9 cents).

Segment results

	Six months ended 30 June							
	2008				2007			
	Revenue HK\$'M	Unit shipped '000	Gross profit HK\$'M	Gross profit margin %	Revenue HK\$'M	Unit shipped '000	Gross profit HK\$'M	Gross profit margin %
Mobile handset solutions	835	7,117	85	10.11%	692	4,020	76	11.05%
LCD modules	263	2,569	22	8.41%	179	2,065	13	7.26%
Wireless communication modules and modems	409	2,400	101	24.78%	242	1,441	60	24.76%
Total	1,507	12,086	208	13.80%	1,113	7,526	149	13.43%

Mobile handset solutions

During the reporting period, the revenue for the mobile handset solutions increased by 20.77% to HK\$835 million (1H-2007: HK\$691.4 million; 2H-2007: HK\$1,105.6 million) as compared with that of 1H-2007. The increase was mainly driven by the significant increase in overseas sales which its revenue was over 5 times more than the same period last year. The gross profit margin dropped to 10.11% (1H-2007: 11.05%; 2H-2007: 12.34%) attributable to the fierce pricing pressure on the feature phones. The Group has launched 95 handset models and 22 handset platforms during the current period (1H-2007: 67 handset models, 17 handset platforms; 2H-2007: 106 handset models, 19 handset platforms).

LCD modules

The gross profit margin for LCD modules of the Group in 1H-2008 improved to 8.41% (1H-2007: 7.26%; 2H-2007: 9.32%) as compared to the same period last year. The improvement was mainly attributable to the increase application of the touch-panel screens in our LCD modules.

Wireless communication modules and modems

Attributable to the significant increase in market share in China and international markets, the revenue and gross profit of the wireless communication modules and modems of the Group for 1H-2008 increased by 68.83% and 68.98% respectively as compared with that in 1H-2007, while the gross profit margin maintained at 24.78% (1H-2007: 24.76%; 2H-2007: 24.84%).

Liquidity, Financial Resources and Capital Structure

The financial position of the Group remains strong and healthy. As at 30 June 2008, the Group had bank balances of HK\$703.3 million (31 December 2007: HK\$620.4 million), of which 90.61% was held in Renminbi, 8.82% was held in United States ("US") dollars and the remaining balance was held in Hong Kong dollars. The bank balances are expected to finance the Group's working capital and capital expenditure plans in developing new technologies for mobile handsets.

As at 30 June 2008, the Group had total bank borrowings amounting to HK\$126.9 million (31 December 2007: Nil) comprising invoice financing bank loans and denominated in US dollars, were matured within one year. The annual interest rate on the above bank borrowings was approximately 4.06%.

For the period under review, the Group's turnover period for inventory, trade receivables together with notes and bills receivable, and trade payables were decreased to 67 days, increased to 19 days and decreased to 75 days respectively as compared to the full year of 2007 were 72 days, 14 days and 85 days respectively. The turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and credit terms obtained from suppliers.

After reviewing the current financial position based on the Group's finance policy, the management of the Group considered that it was not necessary to use any financial instrument for hedging purpose nor adopt any particular hedging policy.

As at 30 June 2008, the Company had an issued capital comprising 1,517,490,000 ordinary shares of HK\$0.10 each.

Gearing Ratio

As at 30 June 2008, the total assets value of the Group was HK\$2,156.6 million (31 December 2007: HK\$1,955.2 million) and the bank borrowings was HK\$126.9 million (31 December 2007: Nil). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 5.88% (31 December 2007: 0%).

Employees

As at 30 June 2008, the Group had 2,601 (31 December 2007: 2,499) 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.

Emolument Policy

The emolument policy of the employees of the Group is set up by the human resources department and seeks to provide remuneration packages on the basis of their merit, qualifications and competence of the employees.

MANAGEMENT DISCUSSION AND ANALYSIS

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

The Company has adopted a pre-listing share option scheme to recognise and reward the contribution of certain Directors and employees of the Group to the growth and development of the Group. The Group has also adopted another share option scheme, the primary purpose of which is to motivate the eligible persons referred to in the scheme, which includes employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.

Charges on Group Assets

As at 30 June 2008, there were no charges on the Group's assets.

Foreign Exchange Exposure

Most of the sales of the Group are denominated in Renminbi and most of the purchases of inventories are denominated in US dollars. With the introduction of a more elastic exchange rate regime for Renminbi, the Renminbi exchange rate movements might become more volatile, creating an uncertainty effect on the Group's business. Furthermore, certain trade receivables, trade payables and bank balances are denominated in US dollars, therefore exposing the Group to US dollars currency risk. The Group does not have a foreign currency hedging policy but 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.

Future Plans for Material Investment

Other than the discloseable transaction of the construction project in Shanghai PRC disclosed in the announcement of the Company dated 1 February 2008, the Group did not have any other material investment plans as at 30 June 2008.

Contingent Liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

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CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Notes	Six months ended 30 June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue		1,507,322	1,112,927
Cost of sales		(1,299,385)	(963,484)
Gross profit		207,937	149,443
Other income		65,487	36,466
Research and development expenses		(46,148)	(30,727)
Selling and distribution costs		(41,002)	(29,763)
Administrative expenses		(50,699)	(38,325)
Finance costs		(396)	(576)
Profit before taxation		135,179	86,518
Tax (charge) credit	4	(12,237)	3,378
Profit for the period	5	122,942	89,896
Dividends recognised as distribution	6	37,937	158,906
Earnings per share	7		
Basic		HK8.1 cents	HK5.9 cents
Diluted		HK8.1 cents	HK5.9 cents

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CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

	Notes	30 June 2008 HK\$'000 (unaudited)	31 December 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	264,944	198,386
Land use rights	8	81,265	76,903
Intangible assets	8	122,402	122,663
Deferred tax assets	9	3,834	3,592
Available-for-sale investments		42,661	86,911
Goodwill		58,928	58,928
Deposit paid for purchase of land use right		45,231	42,372
		619,265	589,755
Current assets			
Inventories		441,171	520,252
Trade receivables	10	180,516	49,147
Notes and bills receivable	10	39,240	45,171
Other receivables, deposits and prepayments		173,103	130,446
Bank balances and cash		703,255	620,440
		1,537,285	1,365,456
Current liabilities			
Trade and notes payables	11	485,320	484,092
Other payables, deposits received and accruals		182,517	201,190
Tax payable		17,795	18,450
Bank borrowings		126,868	-
		812,500	703,732
Net current assets			
		724,785	661,724
		1,344,050	1,251,479
Capital and reserves			
Share capital	12	151,749	151,588
Reserves		1,186,209	1,093,413
Total equity		1,337,958	1,245,001
Non-current liabilities			
Deferred tax liabilities	9	6,092	6,478
		1,344,050	1,251,479

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumu- lated profits HK\$'000	Total equity HK\$'000
At 1 January 2007 (audited)	150,833	463,497	26,713	97,091	14,163	-	29,421	338,429	1,120,147
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	23,707	-	23,707
Profit for the period	-	-	-	-	-	-	-	89,896	89,896
Total recognised income for the period	-	-	-	-	-	-	23,707	89,896	113,603
Issue of new shares due to exercise of share options	694	6,387	-	-	-	-	-	-	7,081
Transfer upon exercise of share options	-	8,043	-	-	(8,043)	-	-	-	-
Transfer upon forfeiture of share options	-	-	-	-	(446)	-	-	446	-
Recognition of equity settled share based payments	-	-	-	-	4,536	-	-	-	4,536
Dividends paid	-	-	-	-	-	-	-	(158,906)	(158,906)
At 30 June 2007 (unaudited)	151,527	477,927	26,713	97,091	10,210	-	53,128	269,865	1,086,461
At 1 January 2008 (audited)	151,588	478,880	27,599	97,091	11,691	29,371	72,823	375,958	1,245,001
Exchange difference arising on translation of foreign operations recognised directly in equity	-	-	-	-	-	-	50,628	-	50,628
Changes in fair values of available-for-sale investments	-	-	-	-	-	(50,114)	-	-	(50,114)
Net income recognised directly in equity	-	-	-	-	-	(50,114)	50,628	-	514
Profit for the period	-	-	-	-	-	-	-	122,942	122,942
Total recognised income and expense for the period	-	-	-	-	-	(50,114)	50,628	122,942	123,456
Issue of new shares upon exercise of share options	161	1,481	-	-	-	-	-	-	1,642
Transfer upon exercise of share options	-	1,020	-	-	(1,020)	-	-	-	-
Transfer upon forfeiture of share options	-	-	-	-	(1,260)	-	-	1,260	-
Recognition of equity settled share based payments	-	-	-	-	5,796	-	-	-	5,796
Dividends paid	-	-	-	-	-	-	-	(37,937)	(37,937)
At 30 June 2008 (unaudited)	151,749	481,381	27,599	97,091	15,207	(20,743)	123,451	462,223	1,337,958

Interim Financial Statements

Notes:

- (a) As stipulated by the relevant People's Republic of China ("PRC") laws and regulations, before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation to the statutory surplus reserve. The reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.
- (b) Other reserve is arisen from a reorganisation to rationalise the structure of the Group in preparation for listing of the Company shares on the Main Board of The Stock Exchange of Hong Kong Limited.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	101,238	34,434
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(68,827)	(17,839)
Inception of land lease	–	(32,725)
Expenditure on intangible assets	(72,948)	(65,864)
Proceeds from disposal of property, plant and equipment	1	7
NET CASH USED IN INVESTING ACTIVITIES	(141,774)	(116,421)
FINANCING ACTIVITIES		
Issue of shares	1,642	7,081
New bank borrowings raised	126,868	–
Dividends paid	(37,937)	(158,906)
Interest paid	(396)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	90,177	(151,825)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,641	(233,812)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	620,440	822,696
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	33,174	14,382
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	703,255	603,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of liquid crystal display ("LCD") modules, mobile handset solutions, wireless communication modules and modems

The functional currency of the Company is Renminbi. The condensed consolidated financial statements are presented in Hong Kong dollar, as the directors consider that such presentation is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

In the current period, the Group has applied, for the first time, the following new interpretations, ("new IFRSs") issued by International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2008.

IFRIC 11	IFRS 2 – Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 14	IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new, revised and amended standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

Interim Financial Statements

3. BUSINESS SEGMENTS

The Group currently organised into three revenue streams – sale of mobile handset solutions, sale of LCD modules and sale of wireless communication modules and modems. These revenue streams are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 June 2008

	Sale of mobile handset solutions HK\$'000	Sale of LCD modules HK\$'000	Sale of wireless communication modules and modems HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue					
External sales	835,016	263,232	409,074	-	1,507,322
Result					
Segment result	60,211	821	83,973	-	145,005
Unallocated other income					2,549
Unallocated corporate expenses					(11,979)
Finance costs					(396)
Profit before taxation					135,179
Tax charge					(12,237)
Profit for the period					122,942

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Six months ended 30 June 2007

	Sale of mobile handset solutions HK\$'000	Sale of LCD modules HK\$'000	Sale of wireless communication module solutions HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue					
External sales	691,388	179,233	242,306	-	1,112,927
Result					
Segment result	35,655	5,236	47,580	(268)	88,203
Unallocated other income					10,071
Unallocated corporate expenses					(11,180)
Finance costs					(576)
Profit before taxation					86,518
Tax credit					3,378
Profit for the period					89,896

Interim Financial Statements

4. TAX (CHARGE) CREDIT

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
<hr/>		
Tax (charge) credit comprises:		
PRC Enterprise Income Tax		
– current period	(13,040)	(3,100)
– overprovision in prior periods	–	6,478
Deferred tax credit (note 9)	803	–
	<hr/>	<hr/>
	(12,237)	3,378
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No provision for Hong Kong Profits Tax has been made for both periods 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 taking relevant tax incentives into account.

Interim Financial Statements

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profit for the period is arrived at after charging (crediting):		
Amortisation of intangible assets included in cost of sales	82,603	75,545
Amortisation of land use rights	807	108
Depreciation of property, plant and equipment	15,235	12,638
Less: Amount capitalised in development costs classified as intangible assets	(1,770)	(1,555)
	13,465	11,083
Staff costs including directors' emoluments	142,181	86,980
Less: Amount capitalised in development costs classified as intangible assets	(51,668)	(37,518)
	90,513	49,462
Write-down of inventories (included in cost of sales)	33,914	13,299
Allowance for (reversal of allowance for) bad and doubtful debts	1,327	(2,131)
Government subsidies	(5,244)	(348)
Refund of Value Added Tax ("VAT") (Note)	(32,500)	(16,728)
Interest income	(2,551)	(3,998)
Net foreign exchange gain	(23,917)	(14,870)

Note: The Group's subsidiaries, Shanghai Simcom Limited, Shanghai Speedcomm Technology Limited and Shanghai Simcom Wireless Solutions Limited 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 VAT paid for sales of self-developed software in the PRC.

Interim Financial Statements

6. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Dividends recognised as distribution – final dividend for year 2007 of HK2.5 cents (2007: HK10.5 cents for year 2006) per share	37,937	158,906

Subsequent to the balance sheet date, the directors determined that an interim dividend of HK3.0 cents (1 January 2007 to 30 June 2007: HK3.0 cents) per share be paid to the shareholders of the Company whose names appear on the Register of Members on 18 September 2008.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period)	122,942	89,896
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,517,257	1,512,641
Share options	8,209	11,104
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,525,466	1,523,745

Weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has accounted for the effect of the share based payments for the options with dilutive effect.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

During the period, additions to the Group's property, plant and equipment amounted to approximately HK\$68,827,000 (1 January 2007 to 30 June 2007: HK\$17,839,000).

During the period, additions to the Group's intangible assets amounted to approximately HK\$76,660,000 (1 January 2007 to 30 June 2007: HK\$65,864,000).

During the period ended 30 June 2007, additions to the Group's land use right amounted to approximately HK\$40,190,000.

9. DEFERRED TAXATION

The followings are the major deferred tax assets and liabilities recognised by the Group and the movement thereon during the current period and prior year:

	Development cost capitalised HK\$'000	Write-down of inventories and trade receivables HK\$'000
At 1 January 2007	(7,684)	3,031
(Charge) credit to income statement	(577)	227
Exchange realignment	1,783	334
At 31 December 2007	(6,478)	3,592
Credit to income statement	803	-
Exchange realignment	(417)	242
At 30 June 2008	(6,092)	3,834

Interim Financial Statements

10. TRADE RECEIVABLES AND NOTES AND BILLS RECEIVABLE

The normal credit period taken on sales of goods is 0 to 60 days. The following is an aged analysis of trade receivables and notes and bills receivable at the reporting date:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0-30 days	162,794	42,724
31-60 days	1,560	3,449
61-90 days	1,075	2,341
91-180 days	16,918	2,059
Over 180 days	6,480	5,116
	188,827	55,689
Less: Accumulated allowances	(8,311)	(6,542)
Trade receivables	180,516	49,147
0-30 days	39,240	41,105
31-60 days	-	1,926
61-90 days	-	2,140
Notes and bills receivable (Note)	39,240	45,171

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

11. TRADE AND NOTES PAYABLES

The nominal credit period taken for trade purchases is 30 to 60 days. The following is an aged analysis of trade and notes payables at the reporting date:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
0-30 days	238,610	304,937
31-60 days	140,579	104,602
61-90 days	18,510	51,147
Over 90 days	87,621	23,406
	485,320	484,092

12. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2008 and 30 June 2008	3,000,000	300,000
Issued:		
At 1 January 2008	1,515,880	151,588
Exercise of share options (Note)	1,610	161
At 30 June 2008	1,517,490	151,749

Note: During the period, the Company issued a total of 1,610,000 new shares of HK\$0.10 each at a price of HK\$1.02 per share to eligible employees upon exercise of share options.

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

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13. OPERATING LEASE ARRANGEMENT

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Within one year	3,076	5,706

14. COMMITMENTS

	30 June 2008 HK\$'000	31 December 2007 HK\$'000
Capital commitment		
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– building construction	22,056	25,113
– plant and machinery	–	2,200
Expenditure in respect of building construction authorised but not contracted for	55,833	–

15. RELATED PARTY TRANSACTIONS

The remuneration of key management during the period was as follows:

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Short term benefits	4,473	4,234
Post employment benefits	95	120
Share based payments	539	618
	5,107	4,972

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES

As at 30 June 2008, 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, underlying shares and debentures of any associated corporation (within the meaning of Part XV of the Securities and Future 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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Long position in the shares of the Company and the shares of associated corporations of the Company

Name of director	Name of corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the corporation (note 3)
Mr Wong Cho Tung	Company	Corporate interest (note 1)	910,000,000	59.97%
	Company	Family interest (note 1)	320,000	0.02%
	Info Dynasty Group Limited ("Info Dynasty")	Personal interest	1,000	49.95%
Ms Yeung Man Ying	Company	Corporate interest (note 2)	910,000,000	59.97%
	Company	Personal interest	320,000	0.02%
	Info Dynasty	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%
Mr Tsang Hen Loon, Raymond	Company	Personal interest	2,250,000	0.15%
Mr Zhang Jianping	Company	Personal interest	1,500,000	0.10%
Ms Tang Rongrong	Company	Personal interest	186,000	0.01%

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 841,175,000 shares held by Info Dynasty in the Company. Both Intellipower Investments Limited ("Intellipower") and Simcom Limited ("Simcom (BVI)") are wholly-owned by Mr Wong and he is therefore deemed to be interested in all the 48,825,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) in the Company, respectively. Mr Wong is the spouse of Ms Yeung Man Ying and is therefore taken to be interested in the interests of his spouse by virtue of Part XV of the SFO.
2. Ms Yeung Man Ying, the spouse of Mr Wong ("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 841,175,000 shares held by Info Dynasty. Mrs Wong is the spouse of Mr Wong and is therefore taken to be interested in the interests of her spouse by virtue of Part XV of the SFO.
3. Calculation of percentage of interest in the Company is based on the issued share capital of 1,517,490,000 shares of the Company as at 30 June 2008.

(b) Interest in the underlying shares of equity derivatives of the Company

Please see the section headed "Share Options" on page 28 to 30 of this report for information of the interests of the directors and chief executive of the Company in the underlying shares of the equity derivatives of the Company as at 30 June 2008.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the interests or short position of other persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of shares in the Company	Approximate percentage of interest in the Company (note)
Info Dynasty	Beneficial interest	841,175,000	55.43%

Note: Calculation of percentage of interest in the Company is based on the issued share capital of 1,517,490,000 shares of the Company as at 30 June 2008.

Other Information

SHARE OPTIONS

The Company granted share options under the pre-listing share option scheme adopted by the Company on 30 May 2005 ("Pre-IPO Options") and under a share option scheme ("Post-IPO Options") adopted on 30 May 2005.

The details of the options under Pre-IPO Options and Post-IPO Options granted to certain Directors and employees of the Group and movements in such holdings were illustrated below:

Category of participants	Name of scheme	Date of grant	Outstanding at 1 January 2008	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2008
Directors							
Mr Tsang Hen Loon, Raymond	Pre-IPO Options	30.5.2005	1,500,000	-	(750,000)	-	750,000
Mr Zhang Jianping	Pre-IPO Options	30.5.2005	1,500,000	-	-	-	1,500,000
	Post-IPO Options	28.3.2008	-	1,600,000	-	-	1,600,000
Ms Tang Rongrong	Pre-IPO Options	30.5.2005	464,000	-	-	-	464,000
	Post-IPO Options	28.3.2008	-	1,600,000	-	-	1,600,000
Mr Chan Tat Wing, Richard	Pre-IPO Options	30.5.2005	500,000	-	-	-	500,000
	Post-IPO Options	28.3.2008	-	1,600,000	-	-	1,600,000
			<u>3,964,000</u>	<u>4,800,000</u>	<u>(750,000)</u>	<u>-</u>	<u>8,014,000</u>
Employees of the Group							
	Pre-IPO Options	30.5.2005	12,656,000	-	(860,000)	(287,500)	11,508,500
	Post-IPO Options	12.5.2006	7,875,000	-	-	(405,000)	7,470,000
	Post-IPO Options	13.11.2007	16,000,000	-	-	(510,000)	15,490,000
	Post-IPO Options	28.3.2008	-	72,200,000	-	-	72,200,000
			<u>40,495,000</u>	<u>77,000,000</u>	<u>(1,610,000)</u>	<u>(1,202,500)</u>	<u>114,682,500</u>

Notes:

- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$1.5 per share.

2. In relation to each grantee of the options granted under the Pre-IPO Options, 25% of the 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. The exercise price per share is HK\$1.02 and the exercise period is 30 May 2005 to 29 May 2015.
3. In relation to each grantee of the options granted on 12 May 2006 under Post-IPO Options, 25% of the options will vest in each of the four calendar years from 1 January 2007. The exercise price per share is HK\$3.675 and the exercise period is 12 May 2006 to 29 May 2015.
4. In relation to each grantee of the options granted on 13 November 2007 under Post-IPO Options, 25% of the options will vest in each of the four calendar years from 1 April 2008. The exercise price per share is HK\$1.64 and the exercise period is 13 November 2007 to 29 May 2015.
5. In relation to each grantee of the options granted on 28 March 2008 under Post-IPO Options, 25% of the options will vest in each of the four calendar years from 15 April 2009. The exercise price per share is HK\$0.81 and the exercise period is 28 March 2008 to 29 May 2015.

The fair values of the share options granted on 28 March 2008 ("Post-IPO Options 2008"), 13 November 2007 ("Post-IPO Options 2007"), 12 May 2006 ("Post-IPO Options 2006") and Pre-IPO Options determined at the date of grant using the Black-Scholes option pricing model was approximately HK\$22,137,000, HK\$8,554,000, HK\$18,465,000 and HK\$28,012,000 respectively.

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

	Post-IPO Options 2008	Post-IPO Options 2007	Post-IPO Options 2006	Pre-IPO Options
Share price (Note 1)	HK\$0.81	HK\$1.49	HK\$3.65	HK\$1.70
Exercise price	HK\$0.81	HK\$1.64	HK\$3.675	HK\$1.02
Expected life of options (Note 2)	5 years	5 years	6 years	10 years
Expected volatility (Note 3)	67.84%	58.1%	68.0%	33.3%
Expected dividend yield	6.83%	6.6%	6.4%	3.9%
Risk free rate	2.04%	3.9%	3.8%	3.8%

Other Information

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:

1. The share price represented the Company's share price at the date of grant of the Post-IPO Options 2008, Post-IPO Options 2007 and Post-IPO Options 2006. The share price of the Company's shares at the date of grant of Pre-IPO Options was estimated to be HK\$1.7 per share, which is equal to the offer price of the listing shares.
2. The expected options life is 10 years, 6 years, 5 years and 5 years from the date of grant for Pre-IPO Options, Post-IPO Options 2006, Post-IPO Options 2007 and Post-IPO Options 2008 respectively.
3. The expected volatility was determined by calculating the historical volatility of the Company's share price over 38 months immediately before the date of grant for Post-IPO Options 2008. The expected volatility was determined by calculating the historical volatility of the Company's share price over 90 trade days immediately before the date of grant for Post-IPO Options 2006 and Post-IPO Options 2007. The expected volatility for Pre-IPO Options was determined by calculating the historical volatility of the price of listed companies with similar business as the Group, due to lack of historical data.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements that enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and save as disclosed in this report, none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercise any such right during the period.

PURCHASE, SALES OR REDEMPTION OF SHARES

The Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the reporting period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the reporting period.

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. All directors have confirmed, following specific enquiry by the Company 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 has reviewed with 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 2008. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2008 have been reviewed by our auditor, 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

Ms YEUNG Man Ying (*Chairman*)
Mr WONG Cho Tung
Mr ZHANG Jianping
Mr WONG Hei, Simon
Ms TANG Rongrong
Mr CHAN Tat Wing, Richard

Non-executive Directors

Mr TSANG Hen Loon, Raymond
Mr WONG Sun

Independent non-executive Directors

Mr. LIU Hing Hung
(Appointed on 1 September 2008)
Mr. HENG Kwoo Seng
(Resigned on 1 September 2008)
Mr WANG Chengwei
Mr ZHUANG Xingfang

AUDIT COMMITTEE

Mr LIU Hing Hung (*Chairman*)
(Appointed on 1 September 2008)
Mr HENG Kwoo Seng (*Chairman*)
(Resigned on 1 September 2008)
Mr WANG Chengwei
Mr ZHUANG Xingfang

REMUNERATION COMMITTEE

Mr ZHUANG Xingfang (*Chairman*)
Mr WANG Chengwei
Mr WONG Cho Tung

QUALIFIED ACCOUNTANT

Mr CHAN Tat Wing, Richard CGA

COMPANY SECRETARY

Ms WONG Tik

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Chiu & Partners

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of Communications
Shanghai Pudong Development Bank

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Pembroke
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STOCK CODE

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