



# SIM TECHNOLOGY GROUP LIMITED

( Incorporated in Bermuda with limited liability )

( Stock Code : 2000 )



Interim Report **10**

## GROUP FINANCIAL HIGHLIGHTS

	Unaudited consolidated For the six months ended 30 June		Approximate percentage of increase
	2010	2009	
• Revenue (HK\$ million)	2,015	1,139	77%
• Gross profit (HK\$ million)	243	100	143%
• Gross profit margin	12.07%	8.81%	37%
• Net profit attributable to owners of the Company (HK\$ million)	108	31	248%
• Basic earnings per share (HK cents)	7.0	2.0	250%
• Interim dividend per share (HK cents)	2.5	0.8	213%

# CHAIRMAN'S STATEMENT

## Market and business review

We are pleased to share with you that SIM Technology Group Limited (the "Company") together with its subsidiaries (the "Group") has returned to a solid path of growth for the past 12 months after facing perhaps the worst economic environment for the communication industry during the first half of 2009. Our intense focus on execution of ODM transition and M2M modules expansion resulted in consistent growth in revenue and profitability. For the six months ended 30 June 2010 ("1H-2010" or the "reporting period"), the Group's overall revenue and profits surged of 77% and 248% respectively comparing to the same period in 2009. Further, the Group recorded unit shipment growth year-on-year in both handset solutions and wireless communication module segments of 36% and 32% respectively in 1H-2010. Finally, the Group returned to a double digit gross profit percentage of 12% and achieved the target we set in the beginning of the year.

In 1H-2010, we have reached many milestones. We outlined the key achievements below:

- Launched 18 3G handset solutions covering EVDO, TD-SCDMA, WCDMA network
- Won the China Telecom EVDO PCBA tender
- Began ODM partnership with two more major handset OEMs
- Launched a new family of smaller and more powerful wireless communication modules
- Completed Phase One of Shen Yang factory and added more than 30% production capacity

With these achievements, we demonstrated our exceptional strengths in technical capability, in the areas of flexible and efficient manufacturing, high quality customer services, and most importantly of all our ability to adapt to new competitive environment for sustainable growth.

### Handsets

The handset industry has changed. Customers are demanding more fashionable style and more innovative design driving more new models launched but fewer units sold per model. Therefore, new handset development cycle time is shrinking putting higher pressure on the return on investment. To combat the trend, the handset value chain continues to migrate and consolidate into Asia, particularly into China. We have to evolve to stay ahead. Our cooperation with the largest Japan handset customer for the last two years built a strong foundation for ODM business. We have successfully completed 16 ODM projects for this customer up to now. We now have the capabilities to meet other customers' demand for high end handset ODM projects. As a result, when compare to first half of 2009:

- Total handset solution unit shipment and revenue increased over 35% and 131% at approximately of 8 Mu and HK\$1.58 billion respectively
- Full handset (ODM) solutions continued to outpace the growth of other handset solutions with over 314% increase in revenue
- 3G handset solutions revenue achieved growth with over 301%
- Gross profit for the total handset solutions increased 696% at HK\$169 million

## Wireless communication modules and modems

Internet of things and M2M applications are the catalysts for wireless communication module industry growth. Many operators worldwide are increasing their investment in M2M to drive growth beyond voice application. As the worldwide number two wireless communication module supplier based on unit shipment, our Company and its SIMCom® brand is widely recognized for quality, innovation, and value. In 1H-2010, we launched a new family of wireless modules, SIM900. Besides the usual EU and Asia certifications, SIM900 is our first module to pass AT&T certification process, opening up the North America M2M market for our future growth. However, the modem industry continued to face stiff competition. We do not expect a near term improvement for this product category in light of the recent announcement from European Commission to launch an anti-dumping investigation to Chinese suppliers of USB modems and 3G enabled routers. We are confident that our products are sold within the law. Nonetheless, the investigation will increase the uncertainty of this industry until the result of the investigation is clear. In 1H-2010, our Group achieved approximately of HK\$365 million and HK\$68 million in wireless communication modules and modems revenue and gross profit respectively.

## LCD modules

LCD modules remained as a strategic component to our handset customers to ensure time to market under a constrained market supply environment. During 1H-2010, the LCD modules industry capacity was abundant to meet the demand. As a result, we expected our handset customers to reduce the reliance on our LCD modules. Our 1H-2010 LCD module segment revenue and gross profit were approximately of HK\$67 million and HK\$6 million, representing a decrease of 47% and 48% respectively as compared to first half of 2009.

## Operation

In 1H-2010, we have initiated a couple of programs to further streamline our operation and prepare our manufacturing capacity in anticipation for future growth. We have established a permanent business process reengineering department with the mission to continuously improve our business process. Our vision is to deliver 10% productivity improvement year to year to maintain a sustainable profit growth.

### Shen Yang operating base

In order to achieve our vision of becoming a "world class communication company", we are determined to continue our improvement in ODM capability. We have begun the Phase Two of our Shen Yang factory expansion. Besides the usual assembly and test line, we have added top of the line injection molding, spray painting, and vacuum plating capability. These new equipment will allow us to better control the quality of our casing and shorten the delivery time to our ODM customers. Our current plan is to further increase our overall production capacity by 100% within the next 12 months.

### Interim dividend

The board of directors (the "Board") has resolved to declare an interim dividend for the six months ended 30 June 2010 of HK2.5 cents per share (2009: HK0.8 cents per share) to shareholders of the Company whose names appear on the register of members of the Company on 17 September 2010. The interim dividend will be paid on or about 6 October 2010.

### Closure of register of members

The Company's register of members will be closed from 15 September 2010 to 17 September 2010, 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 14 September 2010.

# CHAIRMAN'S STATEMENT

## Prospect

For the past 12 months, we took a major step forward in building a powerful and flexible engine for growth. In the process, we have to give up opportunities for quick but risky business. Our discipline in upholding the highest business integrity saved us from getting entangled with Chinese custom investigation of questionable business dealings in 1H-2010. Internally, we focused on empowering and developing our staff both at work and off work. We are convinced that our staff commitments are critical in achieving our future. Despite the fact that the communication industry remains competitive, our experience in weathering the down turn has strengthened our ability to take advantage of the new market environment. We believe that our strategy and execution will help us leap ahead of our competitions.

## 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 reporting period.

**Yeung Man Ying**

*Chairman*

Hong Kong, 19 August 2010

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Financial results

For the six months ended 30 June 2010, the Group's revenue increased by 76.97% to HK\$2,015.1 million (2009: HK\$1,138.7 million) as compared with that of first half of 2009 ("1H-2009"). The significant sales increase was attributable to the increase in the sales of mobile handset solutions and wireless communication modules.

The gross profit of the Group increased dramatically by 142.53% to HK\$243.2 million (2009: HK\$100.3 million) for 1H-2010 as compared to 1H-2009 while the gross profit margin increased to 12.07% (2009: 8.81%). The profit for the reporting period increased by 247.86% year-on-year to HK\$108.2 million (2009: HK\$31.1 million). The basic earnings per share increased 250% year-on-year to HK7 cents (2009: HK2 cents).

### Segment results

	Six months ended 30 June (unaudited)							
	2010				2009			
	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	1,583	8,031	169	10.73%	684	5,906	21	3.12%
LCD modules	67	1,761	6	8.83%	125	1,950	11	9.02%
Wireless communication modules and modems	365	3,145	68	18.48%	330	2,378	68	20.51%
	<b>2,015</b>	<b>12,937</b>	<b>243</b>	<b>12.07%</b>	<b>1,139</b>	<b>10,234</b>	<b>100</b>	<b>8.81%</b>



# MANAGEMENT DISCUSSION AND ANALYSIS

## Mobile handset solutions

During the reporting period, the Group has been successfully building higher margin product mix, as a result, the revenue for the mobile handset solutions increased by 131.59% year-on-year to HK\$1,583.3 million (2009: HK\$683.7 million) and the gross profit margin increased to 10.73% (2009: 3.12%). The Group has launched 100 handset models and 46 handset platforms during the reporting period (2009: 118 handset models, 29 handset platforms).

## LCD modules

The revenue and gross profit for LCD modules decreased dramatically by 46.96% and 48.04% respectively during the reporting period as compared to those in 1H-2009. The gross profit margin for LCD modules of the Group in 1H-2010 decreased slightly to 8.83% (2009: 9.02%) as compared to the same period last year.

## Wireless communication modules and modems

Wireless communication modules continued to capture a growing share in the industry despite the sales of modems decreased substantially, the revenue of the wireless communication modules and modems of the Group for 1H-2010 increased by 10.78% year-on-year to HK\$365.4 million (2009: HK\$329.8 million). The gross profit margin dropped to 18.48% (2009: 20.51%).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group remains strong and healthy. As at 30 June 2010, the Group had bank balances (including pledged bank deposits) of HK\$962.4 million (31 December 2009: HK\$861.4 million), of which 90.12% was held in Renminbi, 9.3% 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 2010, the Group had total bank borrowings amounting to HK\$521.1 million (31 December 2009: HK\$271.1 million) 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 ranging from 1.2% to 2.3%.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group's turnover period for inventory, trade receivables together with notes and bills receivable, and trade payables were 55 days, 24 days and 69 days respectively (31 December 2009: 47 days, 29 days and 59 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 2010, the Company had an issued capital comprising 1,565,801,500 ordinary shares of HK\$0.10 each.

## GEARING RATIO

As at 30 June 2010, the total assets value of the Group was HK\$3,254.2 million (31 December 2009: HK\$2,647.4 million) and the bank borrowings was HK\$ 521.1 million (31 December 2009: HK\$271.1 million). The gearing ratio of the Group, calculated as total bank borrowings over total assets, was 16.01% (31 December 2009: 10.24%).

## EMPLOYEES

As at 30 June 2010, the Group had 3,070 (31 December 2009: 2,560) employees. For 1H-2010, the staff costs (including directors' remuneration) amounted to HK\$162.7 million (1H-2009: HK\$100.7 million). 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 ("Directors") and senior management of the Company will be reviewed by the remuneration committee of the Company, 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 2010, 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

As at 30 June 2010, the Group did not have any other material investment plans.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During 1H-2010, the Group did not have any material acquisition or disposal of subsidiaries or associated companies.

## CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any material contingent liabilities.

# Interim Financial Statements

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	3	2,015,109	1,138,652
Cost of sales		(1,771,903)	(1,038,375)
Gross profit		243,206	100,277
Other income	5	53,075	9,331
Other gains and losses		3,975	24,339
Research and development expenses		(52,087)	(34,297)
Selling and distribution costs		(54,104)	(32,158)
Administrative expenses		(58,676)	(42,711)
Finance costs		(5,487)	(1,735)
Profit before taxation		129,902	23,046
Tax (charge) credit	6	(23,099)	8,063
Profit for the period	7	106,803	31,109
Profit for the period attributable to:			
Owners of the Company		108,216	31,109
Non-controlling interests		(1,413)	-
		106,803	31,109
Earnings per share (HK cents)	9		
Basic		7.0	2.0
Diluted		6.7	2.0

## Interim Financial Statements

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<b>106,803</b>	31,109
Other comprehensive income (expense)		
Exchange difference arising on translation to presentation currency	<b>26</b>	6,556
Change in fair value of available-for-sale investments	–	25,366
Transfer to profit or loss on disposal of available-for-sale investments	–	(25,366)
Surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	–	1,243
Deferred tax on surplus on transfer of land use rights and property, plant and equipment to investment properties at fair value	–	(310)
Other comprehensive income for the period (net of tax)	<b>26</b>	7,489
Total comprehensive income for the period	<b>106,829</b>	38,598
Total comprehensive income attributable to:		
Owners of the Company	<b>108,242</b>	38,598
Non-controlling interests	<b>(1,413)</b>	–
	<b>106,829</b>	38,598

## Interim Financial Statements

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	NOTES	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
<b>Non-current assets</b>			
Investment properties	10	221,217	221,217
Property, plant and equipment	10	306,925	255,454
Land use rights		93,787	82,959
Goodwill		28,321	28,321
Intangible assets	10	186,294	179,469
Deferred tax assets	11	3,438	3,438
Deposits paid for land use rights		102,581	109,224
		<b>942,563</b>	<b>880,082</b>
<b>Current assets</b>			
Inventories		667,065	411,090
Trade receivables	12	176,677	141,555
Notes and bills receivables	12	141,227	75,173
Other receivables, deposits and prepayments		364,278	278,155
Pledged bank deposits		491,659	329,114
Bank balances and cash		470,695	532,276
		<b>2,311,601</b>	<b>1,767,363</b>
<b>Current liabilities</b>			
Trade and notes payables	13	745,833	516,167
Other payables, deposits received and accruals		263,467	262,732
Bank borrowings	14	521,080	271,123
Tax payable		29,431	15,841
		<b>1,559,811</b>	<b>1,065,863</b>

## Interim Financial Statements

		30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
	NOTES		
Net current assets		751,790	701,500
Total assets less current liabilities		<b>1,694,353</b>	1,581,582
Capital and reserves			
Share capital	15	156,580	152,871
Reserves		<b>1,485,977</b>	1,374,115
Equity attributable to owners of the Company		<b>1,642,557</b>	1,526,986
Non-controlling interests		<b>16,070</b>	17,483
Total equity		<b>1,658,627</b>	1,544,469
Non-current liability			
Deferred tax liabilities	11	<b>35,726</b>	37,113
		<b>1,694,353</b>	1,581,582

# Interim Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Attributable to owners of the Company										Non-controlling interests HK\$'000	Total HK\$'000
	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	Properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 January 2009 (audited)	151,749	481,381	27,599	97,091	20,162	8,911	-	112,185	436,313	1,335,391	-	1,335,391
Profit for the period	-	-	-	-	-	-	-	-	31,109	31,109	-	31,109
Other comprehensive income for the period	-	-	-	-	-	933	-	6,556	-	7,489	-	7,489
Total comprehensive income for the period	-	-	-	-	-	933	-	6,556	31,109	38,598	-	38,598
Issue of new shares upon exercise of share options	340	2,482	-	-	-	-	-	-	-	2,822	-	2,822
Transfer upon exercise of share options	-	291	-	-	(291)	-	-	-	-	-	-	-
Recognition of equity settled share based payments	-	-	-	-	2,269	-	-	-	-	2,269	-	2,269
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(15,175)	(15,175)	-	(15,175)
At 30 June 2009 (unaudited)	152,089	484,154	27,599	97,091	22,140	9,844	-	118,741	452,247	1,363,905	-	1,363,905
At 1 January 2010 (audited)	152,871	493,843	27,599	97,091	25,399	73,739	-	118,504	537,940	1,526,986	17,483	1,544,469
Profit for the period	-	-	-	-	-	-	-	-	108,216	108,216	(1,413)	106,803
Other comprehensive income for the period	-	-	-	-	-	-	-	26	-	26	-	26
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	26	108,216	108,242	(1,413)	106,829
Issue of new shares upon exercise of share options	3,709	30,402	-	-	-	-	-	-	-	34,111	-	34,111
Transfer upon exercise of share options	-	15,399	-	-	(15,399)	-	-	-	-	-	-	-
Recognition of equity settled share based payments	-	-	-	-	7,633	-	-	-	-	7,633	-	7,633
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(34,415)	(34,415)	-	(34,415)
At 30 June 2010 (unaudited)	156,580	539,644	27,599	97,091	17,633	73,739	-	118,530	611,741	1,642,557	16,070	1,658,627



## 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's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

## Interim Financial Statements

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	19,511	109,236
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(73,456)	(25,084)
Proceeds from disposal of property, plant and equipment	–	338
Development costs paid	(84,248)	(60,093)
Deposits paid for purchase of land use rights	(5,035)	(3,700)
Proceeds from disposal of available-for-sale investments	–	62,479
Increase in pledged bank deposits	(162,545)	–
NET CASH USED IN INVESTING ACTIVITIES	(325,284)	(26,060)
FINANCING ACTIVITIES		
Issue of shares	34,111	2,822
New bank borrowings raised	327,957	264,684
Repayments of bank borrowings	(78,000)	–
Dividends paid	(34,415)	(15,175)
Interest paid	(5,487)	(1,735)
NET CASH FROM FINANCING ACTIVITIES	244,166	250,596
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(61,607)	333,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	532,276	623,388
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	26	1,333
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	470,695	958,493

# Interim Financial Statements

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

### 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 manufacturing design and development and sales 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 of the Company ("Directors") consider that such presentation is more appropriate for a company listed in Hong Kong and for the convenience of the shareholders of the Company ("Shareholders").

The condensed consolidated financial statements of the Group 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 properties and 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 2009, except as described below.

## Interim Financial Statements

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments or interpretations, ("new and revised 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 on 1 January 2010.

IFRSs (Amendments)	Amendment to IFRS 5 as part of improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedged items
IFRS 1 (Amendment)	Additional exemptions for first-time adopters
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions
IFRS 3 (Revised)	Business combinations
IFRIC 17	Distributions of non-cash assets to owners

### Application of new and revised IFRSs with no impact to financial statements of the Group for current period or prior periods

#### ***IFRS 3 (Revised) "Business Combinations" & IAS 27 "Consolidated and Separate Financial Statements"***

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

# Interim Financial Statements

## *Amendment to IAS 17 "Leases"*

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and presented as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires the classification of leasehold land to be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. No reclassification is considered necessary because none of the leasehold land qualifies for finance lease classification.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statement of the Group for the current or prior accounting periods.

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

IFRSs (Amendments)	Improvements to IFRSs 2010 <sup>1</sup>
IAS 24 (Revised)	Related party disclosures <sup>4</sup>
IAS 32 (Amendment)	Classification of rights issues <sup>2</sup>
IFRS 1 (Amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters <sup>3</sup>
IFRS 9	Financial instruments <sup>5</sup>
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement <sup>4</sup>
IFRIC 19	Extinguishing financial liabilities with equity instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013.

IFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 has no material impact on the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. REVENUE

Revenue represents the amounts received and receivable for goods sold net of discounts and sales related taxes.

### 4. SEGMENT INFORMATION

Segment information is presented based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Board, for the purpose of allocate resources to segments and assessing their performance.

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.

# Interim Financial Statements

Six months ended 30 June 2010  
(unaudited)

	Sale of mobile handset solutions HK\$'000	Sale of LCD modules HK\$'000	Sale of communication modules and modems HK\$'000	Segment total HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue						
External sales	1,583,337	66,366	365,406	2,015,109	-	2,015,109
Inter-segment sales	-	24,012	-	24,012	(24,012)	-
Total	1,583,337	90,378	365,406	2,039,121	(24,012)	2,015,109
Segment profit (loss)	112,698	(9,084)	48,360	151,974	-	151,974
Other income						8,312
Corporate expenses						(24,897)
Finance costs						(5,487)
Profit before taxation						129,902

Inter-segment sales are charged at mutually agreed terms.

## Interim Financial Statements

Six months ended 30 June 2009  
(unaudited)

	Sale of mobile handset solutions HK\$'000	Sale of LCD modules HK\$'000	Sale of wireless communication modules and modems HK\$'000	Consolidated HK\$'000
Revenue				
External sales	683,669	125,134	329,849	1,138,652
Segment (loss) profit	(28,464)	(4,434)	46,026	13,128
Recycling of gain on disposal of available-for-sale investments				25,366
Other income				3,345
Corporate expenses				(17,058)
Finance costs				(1,735)
Profit before taxation				23,046

All of the segment revenue reported for six months ended 30 June 2009 is from external customers.

Segment result represents the financial result by each segment without allocation of recycling of gain on disposal of available-for-sale investments, rental income, interest income, other income, corporate expenses and finance costs. This is the measure reported to the Group's management for the purposed of resource allocation and assessment of segment performance.



## Interim Financial Statements

The following is an analysis of the Group's assets by operating segments:

	As at 30 June 2010 HK\$'000 (unaudited)	As at 31 December 2009 HK\$'000 (audited)
Sale of mobile handset solutions	1,062,964	782,910
Sale of LCD modules	197,694	183,419
Sale of wireless communication modules and modems	296,929	311,198
Total segment assets	<u>1,557,587</u>	<u>1,277,527</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than investment properties, land use rights, pledged bank deposits, bank balances and cash, deposits paid for land use rights, deferred tax assets and other receivables, deposits and prepayments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments.

## 5. OTHER INCOME

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Refund of VAT (Note 1)	6,552	4,599
Government projects income (Note 2)	38,211	1,257
Interest income earned on bank balances	3,257	1,515
Rental income (Less: outgoings of HK\$201,000 (2009: HK\$94,000))	4,332	891
Others	723	1,069
	<b>53,075</b>	<b>9,331</b>

Notes:

- (1) Shanghai Simcom Limited, Shanghai Speedcomm Technology Limited and Shanghai Simcom Wireless Solutions Limited, wholly-owned subsidiaries of the Company, are engaged in the business of distribution of self-developed and produced software. Under the current PRC tax regulation, it is entitled to a refund of Value Added Tax ("VAT") paid for sales of self-developed software in the PRC.
- (2) The amount includes HK\$5,391,000 (1 January 2009 to 30 June 2009: HK\$1,257,000) of government projects income for the Group's research and developments activities in the PRC.

In addition, during the period ended 30 June 2010, the Group received government projects income of HK\$18,673,000 (1 January 2009 to 30 June 2009: nil) towards the cost of development on wireless communication modules and mobile handset modules in Shenyang. The amounts are transferred to other income to match actual expenditure used in research and development activities and HK\$32,820,000 (1 January 2009 to 30 June 2009: nil) was recognised in the profit or loss during the period. As at 30 June 2010, an amount of HK\$15,276,000 (31 December 2009: HK\$29,423,000) remains to be unamortised and included in other payables.

# Interim Financial Statements

## 6. TAX (CHARGE) CREDIT

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Tax (charge) credit comprises:		
PRC Enterprise Income Tax		
– current period	(24,486)	(2,280)
– overprovision in prior periods (note)	–	8,685
Deferred tax credit (note 11)	1,387	1,658
	<b>(23,099)</b>	8,063

Note: The tax credit of HK\$8,685,000 related to additional tax deductions by the tax authority on research and development costs incurred in the prior periods by certain subsidiaries which were classified as "Hi-New Technology Enterprises" for the period ended 30 June 2009.

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 rates prevailing in the relevant districts of the PRC taking relevant tax incentives into account. The estimated average annual tax rate used for PRC Enterprise Income Tax is 18% for six months ended 30 June 2010 (six months ended 30 June 2009: 10%).

# Interim Financial Statements

## 7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging (crediting):		
Amortisation of intangible assets (included in cost of sales)	77,423	85,626
Amortisation of land use rights	850	830
Depreciation of property, plant and equipment	21,958	18,343
Less: Amount capitalised in development costs classified as intangible assets	(1,566)	(2,442)
	20,392	15,901
Staff costs including directors' emoluments	155,024	98,473
Share-based payments	7,633	2,269
Less: Amount capitalised in development costs classified as intangible assets	(63,417)	(39,587)
	99,240	61,155
Write-down of inventories (included in cost of sales)	3,029	19,757
Allowance for bad and doubtful debts	4,533	4
Loss on disposal of property, plant and equipment	27	-
Recycling of gain on disposal of available-for-sale investments (included in other gains and losses)	-	(25,366)
Net foreign exchange (gain) loss (included in other gains and losses)	(3,975)	1,027

# Interim Financial Statements

## 8. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution- final dividend for year 2009 of HK2.2 cents (2009: HK1 cent for year 2008) per share	<b>34,415</b>	15,175

Subsequent to the reporting date, the directors determined that an interim dividend of HK2.5 cents (2009: HK0.8 cent) per share be paid to the shareholders of the Company whose names appear on the register of members of the Company on 17 September 2010.

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	<b>108,216</b>	31,109
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,544,102</b>	1,517,824
Effect of dilutive potential ordinary shares – share options	<b>68,066</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,612,168</b>	1,517,824

For the period ended 30 June 2010, 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 options with dilutive effect.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of the Company's share options were higher than the average market price of the shares for the period ended 30 June 2009.

### 10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group's investment properties were fair valued by the directors by reference to recent market transactions of similar types of properties. Based on the assessment by the directors, the fair value of investment properties as at 30 June 2010 are not materially different from the professional valuation made at 31 December 2009 and, accordingly, no fair value changes have been recognised directly in profit or loss for the six months ended 30 June 2010 (1 January 2009 to 30 June 2009: nil).

During the period, additions to the Group's property, plant and equipment amounted to HK\$73,456,000 (1 January 2009 to 30 June 2009: HK\$25,084,000).

During the period, additions to the Group's intangible assets amounted to HK\$84,248,000 (1 January 2009 to 30 June 2009: HK\$62,535,000).

## 11. DEFERRED TAXATION

The followings are the major deferred tax (liabilities) assets 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	Revaluation of buildings and land use rights transfer to investment properties HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 January 2009 (audited)	(10,966)	3,410	(2,971)	-	(10,527)
Credit to profit or loss	1,658	-	-	-	1,658
Charge to properties revaluation reserve	-	-	(310)	-	(310)
Exchange realignment	(90)	29	(27)	-	(88)
At 30 June 2009 (unaudited)	(9,398)	3,439	(3,308)	-	(9,267)
Acquisition of subsidiaries	-	-	-	(3,268)	(3,268)
Credit (charge) to profit or loss	1,170	-	(1,003)	-	167
Charge to properties revaluation reserve	-	-	(21,299)	-	(21,299)
Exchange realignment	(7)	(1)	-	-	(8)
At 31 December 2009 (audited)	(8,235)	3,438	(25,610)	(3,268)	(33,675)
Credit to profit or loss (note 6)	1,387	-	-	-	1,387
At 30 June 2010 (unaudited)	(6,848)	3,438	(25,610)	(3,268)	(32,288)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Deferred tax assets	3,438	3,438
Deferred tax liabilities	(35,726)	(37,113)
	<b>(32,288)</b>	<b>(33,675)</b>



## Interim Financial Statements

### 12. TRADE RECEIVABLES AND NOTES AND BILLS RECEIVABLES

The normal credit period taken on sales of goods is 0 to 90 days. The following is an aged analysis of trade receivables, notes and bills receivables presented based on the respective invoice date at the end of the reporting period:

	As at 30 June 2010 HK\$'000 (unaudited)	As at 31 December 2009 HK\$'000 (audited)
0-30 days	121,716	94,140
31-60 days	37,610	6,764
61-90 days	6,845	14,118
91-180 days	1,940	564
Over 180 days	23,585	36,455
	<b>191,696</b>	152,041
Less: Accumulated allowances	<b>(15,019)</b>	(10,486)
Trade receivables	<b>176,677</b>	141,555
0-30 days	85,154	75,173
61-90 days	56,073	-
Notes and bills receivables (Note)	<b>141,227</b>	75,173

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

## 13. TRADE AND NOTES PAYABLES

The normal credit period taken for trade purchases is 30 to 60 days. The following is an aged analysis of trade and notes payables at the end of the reporting period presented based on the respective invoice date is as follows:

	As at 30 June 2010 HK\$'000 (unaudited)	As at 31 December 2009 HK\$'000 (audited)
0-30 days	674,486	462,324
31-60 days	20,345	36,472
61-90 days	17,677	2,876
Over 90 days	33,325	14,495
	<b>745,833</b>	<b>516,167</b>

## 14. BANK BORROWINGS

During the period, the Group obtained new short-term bank borrowings with total amount of HK\$327,957,000 (1 January 2009 to 30 June 2009: HK\$264,684,000). The borrowings bear interest at fixed rates ranging from 1.2% to 2.3% per annum (31 December 2009: 1.25% to 2.42% per annum) and are repayable within one year. The proceeds were used to meet short-term expenditure needs.

# Interim Financial Statements

## 15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2010 and 30 June 2010	3,000,000	300,000
Issued:		
At 1 January 2010 (audited)	1,528,706	152,871
Exercise of share options	37,096	3,709
At 30 June 2010 (unaudited)	1,565,802	156,580

## 16. OPERATING LEASE ARRANGEMENT

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within one year	1,525	1,755
In the second to fifth year inclusive	2,701	1,779
	<b>4,226</b>	<b>3,534</b>

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Within one year	12,324	12,324
In the second to fifth year inclusive	33,827	38,709
After five years	8,663	10,668
	<b>54,814</b>	<b>61,701</b>

# Interim Financial Statements

## 17. COMMITMENTS

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
<b>Capital commitment</b>		
Expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– building construction	24,682	4,838

## 18. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Short term benefits	3,620	2,628
Post-employment benefits	65	102
Share based payments	1,026	21
	4,711	2,751

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

At 30 June 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Future Ordinance (CAP 571, Laws of Hong Kong) ("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 Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

**(a) Interests 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	Interest of controlled corporation (note 1)	910,000,000	58.12%
	Info Dynasty Group Limited ("Info Dynasty")	Beneficial owner	1,000	49.95%
Ms Yeung Man Ying	Company	Interest of controlled corporation (note 2)	841,175,000	53.72%
	Company	Beneficial owner	320,000	0.02%
	Subtotal		841,495,000	53.74%
	Info Dynasty	Beneficial owner	1,000	49.95%
Mr Wong Hei, Simon	Info Dynasty	Beneficial owner	1	0.05%
Mr Zhang Jianping	Company	Beneficial owner	4,554,000	0.29%
Ms Tang Rongrong	Company	Beneficial owner	186,000	0.01%

## 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 841,175,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. 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) respectively in the Company by virtue of Part XV of the SFO.
2. Ms Yeung Man Ying ("Mrs Wong"), the spouse of Mr 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 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 1,565,801,500 shares of the Company as at 30 June 2010.

### (b) Interests in the underlying shares of the Company

Please see the section headed "Share Options" on page 40 to 41 of this report for information of the interests of the Directors and chief executive of the Company in the underlying shares of the Company as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS

At 30 June 2010, the interests 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 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 1)
Info Dynasty (Note 2)	Beneficial owner	841,175,000	53.72%

Notes:

1. Calculation of percentage of interest in the Company is based on the issued share capital of 1,565,801,500 shares of the Company as at 30 June 2010.
2. The relationship between Info Dynasty and Mr Wong and the relationship between Info Dynasty and Mrs Wong is disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Position in Shares" above.

Save as disclosed above, as at 30 June 2010, there is no other person (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.



## 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 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
<b>Directors</b>							
Mr Zhang Jianping	Pre-IPO	30.5.2005	1,500,000	-	-	-	1,500,000
	Post-IPO	28.3.2008	1,364,000	-	(554,000)	-	810,000
	Post-IPO	3.9.2009	10,000,000	-	(2,500,000)	-	7,500,000
Ms Tang Rongrong	Pre-IPO	30.5.2005	464,000	-	(464,000)	-	-
	Post-IPO	28.3.2008	1,300,000	-	-	-	1,300,000
	Post-IPO	3.9.2009	3,000,000	-	-	-	3,000,000
Mr Chan Tat Wing Richard	Pre-IPO	30.5.2005	500,000	-	-	-	500,000
	Post-IPO	28.3.2008	1,600,000	-	-	-	1,600,000
	Post-IPO	3.9.2009	3,000,000	-	-	-	3,000,000
			22,728,000	-	(3,518,000)	-	19,210,000
<b>Employees of the Group</b>							
	Pre-IPO	30.5.2005	7,801,500	-	(4,341,000)	(438,000)	3,022,500
	Post-IPO	12.5.2006	6,437,500	-	-	(360,000)	6,077,500
	Post-IPO	13.11.2007	12,820,000	-	(4,055,500)	(1,256,000)	7,508,500
	Post-IPO	28.3.2008	47,946,000	-	(12,148,000)	(3,215,000)	32,583,000
	Post-IPO	3.9.2009	91,200,000	-	(13,033,500)	(2,099,500)	76,067,000
			188,933,000	-	(37,096,000)	(7,368,500)	144,468,500

### Notes:

1. 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 1 April 2006 to 29 May 2015.
2. 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 1 January 2007 to 11 May 2016.
3. 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 1 April 2008 to 12 November 2017.
4. 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 15 April 2009 to 27 March 2018.
5. In relation to each grantee of the options granted on 3 September 2009 under Post-IPO Options, 25% of the options will vest in each of the four calendar years from 15 April 2010. The exercise price per share is HK\$0.79 and the exercise period is 15 April 2010 to 2 September 2019.
6. In respect of share options exercised during the period, the weighted average closing share price before the exercise dates was HK\$2.04.

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**

Neither 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**

Save as mentioned below, the Company has complied with the code provisions laid down in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("Corporate Governance Code") during the reporting period.

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

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

### **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions. All Directors have confirmed, following specific enquiry by the Company with all the Directors, that they have fully complied with the required standard as set out in the Model Code for the reporting period.

### AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") has reviewed with management the accounting principles and practice adopted by the Group and reviewed the unaudited condensed financial statements of the Group for the six months ended 30 June 2010. In addition, the condensed consolidated financial statements of the Group for the six months ended 30 June 2010 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.

## 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

### *Independent non-executive Directors*

Mr LIU Hing Hung

Mr ZHUANG Xingfang

Mr XIE Linzhen

## AUDIT COMMITTEE

Mr LIU Hing Hung (*Chairman*)

Mr ZHUANG Xingfang

Mr XIE Linzhen

## REMUNERATION COMMITTEE

Mr ZHUANG Xingfang (*Chairman*)

Mr XIE Linzhen

Mr WONG Cho Tung

## COMPANY SECRETARY

Ms WONG Tik

## AUDITORS

Deloitte Touche Tohmatsu

## LEGAL ADVISER AS TO HONG KONG LAW

LEUNG & LAU, Solicitors

## PRINCIPAL BANKERS

Hang Seng Bank Limited

Bank of Communications

Shanghai Pudong Development Bank

## REGISTERED OFFICE

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Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-16, 17th Floor

Hopewell Centre

183 Queen's Road East, Wanchai

Hong Kong

## WEBSITE ADDRESS

<http://www.sim.com>

## STOCK CODE

2000