THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in SIM Technology Group Limited ("**the Company**"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

SIM Technology

SIM Technology Group Limited
晨訊科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2000)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE (II) APPLICATION FOR WHITEWASH WAIVER AND (III) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

SOMERLEY LIMITED

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 11 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 54 of this circular.

To qualify for the Rights Issue, the Shareholder must be registered as a member of the Company on the Record Date, which is currently expected to be Wednesday, 5 December 2012. In order to be registered as a member of the Company on the Record Date, the Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Share Registrar by 4:30 p.m. on Wednesday, 28 November 2012. The last day of dealings in Shares on a cum-rights basis is therefore expected to be Monday, 26 November 2012. The Shares will be dealt with on an ex-rights basis from Tuesday, 27 November 2012.

A notice convening the SGM to be held at 29A, Admiralty Centre I, 18 Harcourt Road, Hong Kong at 9:30 a.m. on Monday, 19 November 2012 is set out on pages 157 to 158 of this circular. If a Shareholder is not able to attend the SGM in person, such Shareholder is requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the principal place of business of the Company in Hong Kong, at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM should the Shareholder so desire.

The Share Registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Rights Issue is conditional upon the fulfillment of the conditions (or, in respect of certain conditions, waiver thereof) as set out in the section headed "Conditions of the Rights Issue" of the "Letter from the Board" in this circular.

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the ability to terminate its obligations thereunder on the occurrence of certain events. The Underwriter may terminate its commitment under the Underwriting Agreement at any time prior to the Latest Time for Termination if: (a) there shall develop, occur, exist or come into effect: (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or (ii) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or (v) the occurrence of any event, or series of events, beyond the control of the Underwriter; which, in the reasonable opinion of the Underwriter: (1) is or will or is likely to have a material adverse effect on the business or financial condition of the Group as a whole or the Rights Issue; or (2) has or will have or is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or (b) there comes to the notice of the Underwriter: (i) any matter or event showing any of the representations, warranties and undertakings made by the Company was, when given, untrue or misleading or as having been breached in any respect; or (ii) any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement or under the Option Undertakings, then and in any such case the Underwriter may, upon giving notice to the Company terminate the Underwriting Agreement with immediate effect.

If the Underwriting Agreement is terminated by the Underwriter on or before the aforesaid deadline or does not become unconditional, the Rights Issue will not proceed.

The Shares will be dealt in on an ex-rights basis from Tuesday, 27 November 2012. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 11 December 2012 to Tuesday, 18 December 2012 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 4:00 p.m. on Thursday, 27 December 2012 (or such later time and/or date as the Company and the Underwriter may determine), or the Underwriting Agreement is terminated by the Underwriter or the Whitewash Waiver is not granted, the Rights Issue will not proceed. Any persons contemplating buying or selling Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 11 December 2012 to Tuesday, 18 December 2012 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

* *For identification purposes only*

26 October 2012

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions used shall have the following meanings:

"Announcement"	the announcement of the Company dated 5 October 2012 relating to, among other things, the proposed Rights Issue and the application for the Whitewash Waiver
"associate"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	any day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for normal business in Hong Kong
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Companies Act"	the Companies Act 1981 of Bermuda, as amended from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	SIM Technology Group Limited (stock code: 02000), a company incorporated in Bermuda with limited liability as an exempted company under the Companies Act and the issued Shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Excess Application"	applications made by the Qualifying Shareholders in accordance with the terms of the Rights Issue Documents for Rights Shares in excess of Rights Shares provisionally allotted to them pursuant to the Rights Issue

"Excess Application Form(s)"	the form(s) of application for Rights Shares in excess of those provisionally allotted to the Qualifying Shareholders
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HK$" or "Hong Kong Dollar(s)"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	a committee of the Board (comprising Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting, all being independent non-executive Directors) established to advise the Independent Shareholders on the Whitewash Waiver
"Independent Financial Adviser"	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver
"Independent Shareholders"	Shareholders other than the Underwriter and persons acting in concert with it and those who are involved in or interested in the Whitewash Waiver and their respective associates who are required by the Listing Rules or the Takeovers Code to abstain from voting on the relevant resolution at the SGM
"Info Dynasty"	Info Dynasty Group Limited, a company incorporated in BVI with limited liability and 49.95% owned by Mr Wong Cho Tung, 49.95% owned by Ms Yeung Man Ying, 0.05% owned by Mr Wong Sun and 0.05% owned by Mr Wong Hei, Simon, respectively, a controlling shareholder of the Company

"Intellipower"	Intellipower Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr Wong Cho Tung
"Last Trading Date"	Friday, 5 October 2012, being the last full trading day of the Shares on the Stock Exchange immediately preceding the publication of the Announcement
"Latest Acceptance Date"	4:00 p.m. on Friday, 21 December 2012, the latest date upon which provisional allotments of Rights Shares in nil-paid form may be validly accepted
"Latest Practicable Date"	22 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Latest Time for Termination"	4:00 p.m. on Thursday, 27 December 2012 or such later time as may be agreed between the Company and the Underwriter, being the latest time by which the Underwriter may terminate the Underwriting Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date but whose addresses as shown on such register are outside Hong Kong where the Directors, based on opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Option Undertakings"	the undertakings dated 5 October 2012 from each of the Directors who held Vested Options to the Company and the Underwriter not to exercise any of their Vested Options to subscribe for Shares granted pursuant to the Share Option Schemes from the date of the undertakings up to and including the Record Date
"Overseas Shareholder(s)"	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong

"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company relating to the Rights Issue to be despatched to the Shareholders
"Prospectus Posting Date"	Friday, 7 December 2012 (subject to, if required, the approval of the Stock Exchange) or such other date as the Underwriter may agree in writing with the Company for the despatch of the Rights Issue Documents
"Provisional Allotment Letter(s)"	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	Wednesday, 5 December 2012, the record date to determine entitlement to the Rights Issue, or such other date as may be agreed between the Company and the Underwriter
"Relevant Period"	the period commencing on 5 April 2012 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"Rights Issue"	the proposed issue of Rights Shares by the Company on the basis of one Rights Share for every two existing Shares held on the Record Date to the Qualifying Shareholders at the Subscription Price, pursuant to the terms and conditions contained and more particularly described in the Rights Issue Documents
"Rights Issue Documents"	the Prospectus, the Provisional Allotment Letters and the Excess Application Forms
"Rights Share(s)"	not less than 852,499,500 but not more than 877,889,500 Shares to be issued by the Company pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at which resolution will be proposed to consider, and, if thought fit, approve, the Whitewash Waiver
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Options"	the outstanding options as at the Latest Practicable Date to subscribe for 81,892,500 new Shares granted to the Directors and employees of the Group pursuant to the Share Option Schemes
"Share Option Schemes"	the pre-IPO share option scheme and the post-IPO share option scheme both adopted by the Company on 30 May 2005
"Shareholder(s)"	the registered holder(s) of the Share(s)
"Share Registrar"	the share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Simcom (BVI)"	Simcom Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr Wong Cho Tung
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Monies"	the subscription monies payable by the Underwriter to the Company in respect of the Rights Shares underwritten by the Underwriter
"Subscription Price"	the subscription price of HK$0.20 per Rights Share
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"TDR"	the Taiwan depository receipts issued by Yuanta Commercial Bank Limited (元大商業銀行股份有限公司) and listed on the Taiwan Stock Exchange Corporation on 25 April 2011
"Underwriter"	Toman Investments Limited, a company incorporated in the BVI with limited liability and 25% owned by Mr Wong Sun, 25% owned by Mr Wong Hei, Simon, 25% owned by Mr Wong Cho Tung and 25% owned by Ms Yeung Man Ying
"Underwriting Agreement"	the underwriting agreement dated 5 October 2012 entered into between the Company and the Underwriter in relation to the Rights Issue
"Underwritten Shares"	not less than 852,499,500 Rights Shares but not more than 877,889,500 Rights Shares, being all the Rights Shares to be issued pursuant to the Rights Issue
"Vested Options"	65,180,000 Share Options which are vested and exercisable on or before the Record Date, as at the Latest Practicable Date, prior to the signing of the Option Undertakings
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the Underwriter's obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Underwriter and persons acting in concert with it as a result of its underwriting obligations under the Underwriting Agreement
"WM Business Plan"	the wireless module business plan of the Group
"%"	per cent.

The following information is derived from, and should be read in conjunction with, the full text of this circular:

Basis of the Rights Issue	:	One Rights Share for every two existing Shares held on the Record Date and payable in full upon application
Number of Shares in issue as at the Latest Practicable Date	:	1,704,999,000 Shares
Number of new Shares to be issued upon full exercise of the Vested Options (other than those granted to the Directors) *(note 1)*	:	50,780,000 Shares
Number of Rights Shares/Underwritten Shares	:	Not less than 852,499,500 Rights Shares *(note 2)* and not more than 877,889,500 Rights Shares *(note 2)*
Subscription Price	:	HK$0.20 per Rights Share
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	Not less than 2,557,498,500 Shares but not more than 2,633,668,500 Shares
Fund raised before expenses	:	Not less than HK$170,499,900 but not more than HK$175,577,900
Underwriter	:	Toman Investments Limited

Underwriting commission	:	(i) 2 per cent. of the aggregate Subscription Price in respect of a maximum of 487,498,500 Underwritten Shares in which Independent Shareholders are entitled under the Rights Issue; and (ii) Nil for the Underwritten Shares in which the connected persons of the Company (including Info Dynasty, Simcom (BVI), Intellipower, Mr Wong Cho Tung, Ms Yeung Man Ying and the Directors) are entitled under the Rights Issue, payable by the Company to the Underwriter in cash upon completion of the Rights Issue

Note 1: As at the Latest Practicable Date, there were 81,892,500 Share Options, of which 65,180,000 Share Options are vested and exercisable on or before the Record Date (prior to the signing of the Option Undertakings). Among these 65,180,000 Vested Options, 14,400,000 Vested Options were granted to the Directors. Pursuant to the Option Undertakings, each of the Directors has undertaken to the Company and the Underwriter not to exercise their Share Options on or before the Record Date.

Note 2: The figure of 852,499,500 is calculated on the assumption that no Share Options will be exercised on or before the Record Date, and the figure of 877,889,500 is calculated on the assumption that all Vested Options (other than those granted to the Directors) will be exercised on or before the Record Date.

The expected timetable for the Rights Issue is set out below:

Event	**Date** *(Note 1)*
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Tuesday, 13 November 2012
Register of members of the Company closes for the SGM (both days inclusive)	Wednesday, 14 November 2012 to Monday, 19 November 2012
Record date for the SGM	Wednesday, 14 November 2012
Latest time for lodging proxy form for the SGM (not less than 48 hours before time of the SGM)	9:30 a.m. on Saturday, 17 September 2012
SGM	9:30 a.m. on Monday, 19 November 2012
Announcement of results of the SGM to be published on the Stock Exchange website	By 7:00 p.m. on Monday, 19 November 2012
Register of members of the Company reopens	Tuesday, 20 November 2012
Last day of dealings in Shares on a cum-rights basis	Monday, 26 November 2012
First day of dealing in Shares on an ex-rights basis	Tuesday, 27 November 2012
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 28 November 2012
Register of members of the Company closes for the Rights Issue (both days inclusive)	Thursday, 29 November 2012 to Wednesday, 5 December 2012
Record date for the Rights Issue	Wednesday, 5 December 2012
Register of members of the Company reopens	Thursday, 6 December 2012
Despatch of the Rights Issue Documents	Friday, 7 December 2012
First day of dealing in nil-paid Rights Shares	Tuesday, 11 December 2012

Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 13 December 2012
Last day of dealings in nil-paid Rights Shares	Tuesday, 18 December 2012
Latest time for acceptance of and payment for Rights Shares and application and payment for excess Rights Shares *(Note 2)*	4:00 p.m. on Friday, 21 December 2012
Underwriting Agreement becoming unconditional	4:00 p.m. on Thursday, 27 December 2012
Announcement of results of allotment of the Rights Issue to be published on the Stock Exchange website	Friday, 28 December 2012
Despatch of share certificates for fully-paid Rights Shares and refund cheques	Friday, 4 January 2013
Commencement of dealings in fully-paid Rights Shares	Monday, 7 January 2013

Notes:

1. All times in this circular refer to Hong Kong time.

2. Effect of bad weather on the latest time for acceptance of and payment for Rights Shares:

   The Latest Acceptance Date will be postponed if there is:

   - a tropical cyclone warning signal number 8 or above; or

   - a "black" rainstorm warning,

   in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 21 December 2012. Instead, the Latest Acceptance Date will be rescheduled to 12:00 noon on the next Business day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon.

   If the Latest Acceptance Date is postponed in accordance with the foregoing, the dates mentioned above may be affected. An announcement will be made by the Company in such event.

SIM Technology

SIM Technology Group Limited
晨訊科技集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2000)

Executive Directors:
Ms Yeung Man Ying
Mr Wong Cho Tung
Mr Wong Hei, Simon
Mr Zhang Jianping
Ms Tang Rongrong
Mr Chan Tat Wing, Richard

Independent non-executive Directors:
Mr Liu Hing Hung
Mr Xie Linzhen
Mr Dong Yunting

Principal place of business in Hong Kong:
Unit 2908, 29th Floor
248 Queen's Road East
Wanchai
Hong Kong

26 October 2012

To the Shareholders and, for information only, the holders of the Share Options

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE (II) APPLICATION FOR WHITEWASH WAIVER AND (III) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Whitewash Waiver.

* *For identification purposes only*

On 5 October 2012, the Board announced that the Company proposed to raise not less than approximately HK$170,499,900 (before expenses) by issuing not less than 852,499,500 Rights Shares at the Subscription Price of HK$0.20 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date. The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued to the holders of the Share Options pursuant to the Share Option Schemes on or before the Record Date. The Rights Issue will be fully underwritten by the Underwriter, namely Toman Investments Limited, on the terms and subject to the conditions set out in the Underwriting Agreement. The Underwriting Agreement contains provisions granting the Underwriter the ability to terminate its obligations thereunder on the occurrence of certain events as set out under the section headed "Termination of the Underwriting Agreement" in this letter at any time prior to the Latest Time for Termination. The Rights Issue is not available to the Non-Qualifying Shareholders.

In the event that upon completion of the Rights Issue, no Qualifying Shareholders take up any Rights Shares and the number of issued Shares remains unchanged, the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for up to 852,499,500 Rights Shares that are not subscribed for under the Rights Issue, which will result in the Underwriter and persons acting in concert with it beneficially interested in 1,628,417,500 Shares, representing approximately 63.67% of the enlarged issued share capital of the Company upon completion of the Rights Issue, thereby triggering an obligation of the Underwriter and persons acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and persons acting in concert with it, unless, among others, the Whitewash Waiver is obtained from the Executive and approved by the Independent Shareholders at the SGM by way of poll. Application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Further details of the Whitewash Waiver are set out in the section headed "Whitewash Waiver" in this letter.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the SGM. The Board, including all members of the Independent Board Committee, has approved the appointment of Altus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with, among other things, (i) further information regarding details of the proposed Rights Issue and the Whitewash Waiver, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver, and (iv) the notice convening the SGM.

PROPOSED RIGHTS ISSUE

Issue statistics

The Board announced that the Rights Issue is proposed with the terms set out as follows:

Basis of the Rights Issue	:	one Rights Share for every two existing Shares held on the Record Date and payable in full upon application
Number of Shares in issue as at the Latest Practicable Date	:	1,704,999,000 Shares
Minimum number of Rights Shares	:	852,499,500 Rights Shares *(Note)*

Note: The figure of 852,499,500 is calculated on the assumption that no Share Options will be exercised on or before the Record Date.

The minimum number of 852,499,500 Rights Shares to be allotted pursuant to the Rights Issue represents approximately 50.00% of the Company's existing issued share capital and approximately 33.33% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The number of Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the Share Option Schemes on or before the Record Date. As at the Latest Practicable Date, there were 81,892,500 Share Options, of which 65,180,000 are Vested Options and 16,712,500 are not vested and exercisable on or before the Record Date (prior to the signing of the Option Undertakings). Among these 65,180,000 Vested Options, 14,400,000 Vested Options were granted to the Directors. Pursuant to the Option Undertakings, each of the Directors has undertaken to the Company and the Underwriter not to exercise their Vested Options from the date of the Option Undertakings up to and including the Record Date. As a result, only 50,780,000 Vested Options are exercisable on or before the Record Date after taking into account the Option Undertakings.

If all the subscription rights attaching to the Vested Options (other than those granted to the Directors) are duly exercised and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 1,755,779,000 and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 877,889,500. As at the Latest Practicable Date, the Directors held an aggregate of 18,400,000 Share Options pursuant to the Share Option Schemes, of which an aggregate of 14,400,000 were Vested Options.

As at the Latest Practicable Date, save as disclosed above, the Company had no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

Save as disclosed above, as at the Latest Practicable Date, the Underwriter and persons acting in concert with it did not hold any convertible securities, warrants or options or did not enter into any outstanding derivative in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Subscription Price

The Subscription Price is HK$0.20 per Rights Share, payable in cash in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 55.56% to the closing price of HK$0.45 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 53.70% to the average closing price of approximately HK$0.432 per Share for the five consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 53.49% to the average closing price of approximately HK$0.430 per Share for the ten consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 45.50% to the theoretical ex-rights price of approximately HK$0.367 per Share based on the closing price of HK$0.45 per Share as quoted on the Stock Exchange on the Last Trading Date; and

(v) a discount of approximately 44.44% to the closing price of HK$0.36 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the recent closing prices of the Shares, the financial conditions of the Group and current market conditions.

The Directors (including the independent non-executive Directors) consider that discount of the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Company.

The Directors (including the independent non-executive Directors) consider the Rights Issue (including the rate of commission) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu in all respects with the then existing Shares in issue on the date of allotment of the Rights Shares. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

The Board has not received any information from any substantial shareholders of the Company of their intention to take up the Rights Shares provisionally allotted or offered to them or to be provisionally allotted or offered to them.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, any unsold Rights Shares created by adding together fractions of nil-paid Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the Excess Application Forms and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares being applied for at their discretion on a fair and equitable basis.

Fractional entitlements

Fractional entitlements for the nil-paid Rights Shares will not be issued but will be aggregated and sold, if a premium (net of expenses) can be obtained, for the benefit of the Company. Any unsold aggregate of fractions of nil-paid Rights Shares will be made available for Excess Application under the Excess Application Forms.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by ordinary mail to the Qualifying Shareholders and unsuccessful applicants who have validly accepted and applied for (where appropriate), and paid for, the Rights Shares on Friday, 4 January 2013 at their own risk. Each Shareholder will receive one share certificate for all allotted Rights Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Rights Issue Documents to the Qualifying Shareholders; and (ii) the Prospectus, but without the related Provisional Allotment Letters and Excess Application Forms, to the Non-Qualifying Shareholders (if any) for information only.

To qualify for the Rights Issue, the Shareholders must be registered as members of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfer of Shares (together with the relevant share certificate(s)) with the Share Registrar by 4:30 p.m. on Wednesday, 28 November 2012 so as to enable them to be registered as members of the Company on the Record Date. The last day of dealings in Shares on a cum-right basis is expected to be Monday, 26 November 2012. The Shares will be dealt with on an ex-rights basis from Tuesday, 27 November 2012.

The Share Registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

It is intended that the Company's register of members will be closed from Thursday, 29 November 2012 to Wednesday, 5 December 2012, both days inclusive, for the purposes of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Non-Qualifying Shareholders

The Rights Issue Documents are not intended to be registered or filed under the applicable securities laws or equivalent legislation of any jurisdiction other than Hong Kong, Bermuda and Taiwan. The Rights Issue Documents will be filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted in nil-paid form to the Non-Qualifying Shareholders to a nominee of the Company which will arrange for the sale of such nil-paid Rights Shares as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange, if a premium (net of expense) can be obtained. The nominee will thereafter account to the Company for the net proceeds of sale (after deduction of the expenses of sales). Any unsold nil-paid Rights Shares will be available for Excess Application. The net proceeds of sale of such nil-paid

Rights Shares representing fractional entitlements shall be retained by the Company for its own benefit. The net proceeds of sale of such nil-paid Rights Shares which would have been provisionally allotted to the Non-Qualifying Shareholders shall be distributed by the Company to such Non-Qualifying Shareholders pro-rata to their shareholdings on the Record Date, except that individual amounts of less than HK$100 shall not be distributed but shall be retained for the benefit of the Company.

The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus.

Further information in this connection will be set out in the Rights Issue Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus (without the Provisional Allotment Letter and the Excess Application Form) to the Non-Qualifying Shareholders for their information only. No person receiving any of the Rights Issue Documents in any jurisdiction may treat it as an offer or invitation to apply for the Rights Shares.

It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of the relevant jurisdictions, including the obtaining of any government or other consents and to pay any taxes and duties required to be paid in such jurisdictions, in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any acceptances of or applications for the Rights Shares where it believes that doing so would violate applicable securities or other laws or regulations of any territory or jurisdiction.

The Overseas Shareholders, so long as they are Independent Shareholders, will be entitled to vote at the SGM to consider, and, if thought fit, approve, the Whitewash Waiver.

Possible adjustments to the outstanding Share Options

As at the Latest Practicable Date, there were 81,892,500 Share Options. As a result of the Rights Issue, the exercise price and the number of the Shares to be issued pursuant to the outstanding Share Options may be adjusted upon completion of the Rights Issue in accordance with the respective terms and conditions of the Share Option Schemes and the Listing Rules or guidelines issued by the Stock Exchange from time to time. The Board will instruct its auditors to certify the adjustment (if any) to the outstanding Share Options and will accordingly inform the holders of the outstanding Share Options of the adjustment. Further announcement on the details of such adjustment (if any) will be made as and when necessary.

Application for listing of the Rights Shares on the Stock Exchange

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (same as the current board lot size of the Shares as traded on the Stock Exchange). Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

Save as the Company listed 74,146,000 units of TDR on the Taiwan Stock Exchange Corporation as at the Latest Practicable Date and each unit of TDR represents two Shares, none of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought. Relevant documents will be filed with the Taiwan Stock Exchange Corporation and the Central Bank of the Republic of China (Taiwan) in accordance with the applicable laws and regulations of Taiwan.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

(a) the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Whitewash Waiver;

(b) the Executive granting to the Underwriter the Whitewash Waiver on or before the Prospectus Posting Date;

(c) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Rights Issue Documents duly certified by all Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Board (and with all other documents required to be attached thereto under the Companies Ordinance) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;

(d) the posting of the Rights Issue Documents to the Qualifying Shareholders and (subject to the restrictions, if any, under the relevant overseas laws and regulations) the posting of the Prospectus stamped "For Information Only" to the Non-Qualifying Shareholders, in each case, on the Prospectus Posting Date;

(e) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having withdrawn or revoked, the listing of, and permission to deal in, the Rights Shares, in nil-paid and fully-paid forms, before 8:00 a.m. on Tuesday, 11 December 2012, being the expected date of commencement of dealings in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter), and such listing and permission not being revoked prior to the Latest Time for Termination;

(f) delivery of the duly executed Option Undertakings by each of the Directors who held Share Options to the Company and the Underwriter by facsimile transmission or otherwise and after the execution of the Underwriting Agreement, the original hard copies of which shall be delivered to the Company and the Underwriter by courier as soon as practicable and in any event within five Business Days after the date of the Underwriting Agreement;

(g) fulfilment by the Directors who held Share Options of all of their obligations under the Option Undertakings;

(h) the Shares remaining listed on the Stock Exchange at all times up to and including the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;

(i) compliance by the Company with all of its undertakings and obligations under the Underwriting Agreement;

(j) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and

(k) the filing of the Rights Issue Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act.

If any of the conditions of the Rights Issue are not fulfilled and/or (in respect of the condition (i) above) waived in whole or in part by the Underwriter at or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may determine), neither the Company nor the Underwriter shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the Rights Issue will not proceed. Save for condition (i) above, none of the conditions of the Rights Issue is waivable.

As at the Latest Practicable Date, conditions (f) and (g) have been fulfilled.

Information of the Group

The Group is principally engaged in the development and manufacturing of (1) mobile handsets, (2) wireless communications modules; and (3) display modules. The Group manufactures ODM mobile handsets for branded handset providers and develops wireless communications modules for industrial applications.

Since 2011, the Group has encountered difficulties in its businesses and suffered a significant deterioration in financial performance. Based on the unaudited results of the Company for the six months ended 30 June 2012 as set out in the Company's interim report, the Group recorded a loss attributable to Shareholders of approximately HK$58.3 million, as compared to a loss attributable to Shareholders of approximately HK$18.7 million in the corresponding period in 2011. In the Group's mobile handset business, the Group recorded a significant loss of approximately HK$79.6 million (before taxation) in the first half of 2012, as compared to a loss of approximately HK$18.8 million (before taxation) in the corresponding period in 2011. As set out in the annual report of the Company for the year ended 31 December 2011, the Group recorded an audited loss attributable to Shareholders of approximately HK$25.5 million, as compared to an audited profit attributable to Shareholders of approximately HK$233.3 million for the year ended 31 December 2010.

The Directors attribute the deterioration to the increasingly competitive international mobile handset industry, where handset sales are increasingly concentrated in the globally dominant brands. The increasing dominance has resulted in other branded handset providers facing difficulties in their operations as the market demand for handsets has been adversely affected by the sluggish global economy. The Group suffered as a supplier to these branded handset providers which have responded to the competition with product price reduction, delay or termination of development of new products, tightening of credit terms, and a general reduction in volume.

Given the prevailing competitive landscape, the Directors believe the handset business will take time to recover. The business strategy of the Group as regards the handset business is to continue its ongoing efforts in the research and development of mid-range to high-end handsets, including 4G LTE smart phones. The Group aims to meet the increasingly strict quality specifications and price and payment terms requirements of key customers and operators. The Group also puts emphasis on maintaining a healthy financial position to survive in the competitive environment. With strong competitive edge in the wireless communications modules business and the display modules business, the Directors are confident of achieving growth in the medium to long term.

Use of Proceeds

The proposed Rights Issue is intended to raise funds of approximately HK$170 million (before expenses). The net proceeds from the Rights Issue after deducting expenses are estimated to be approximately HK$165 million. The Company intends to apply the net proceeds from the Rights Issue for the following purposes:

(i) as to approximately HK$143 million for additional funding of the working capital requirements resulting from the extension of the credit terms offered to two major customers; and

(ii) as to approximately HK$22 million for the capital expenditure for the WM Business Plan.

Reasons for the Rights Issue

The reasons for the Rights Issue are as follows:

(i) Extension of the credit terms of two major customers

In the past, because of prudent risk management, the Group mainly focused on small or medium-sized customers with limited credit terms. As a result, the Group did not require substantial working capital to support its daily operations.

With stiff competition in the global handset industry, small and medium-sized handset providers have suffered and consolidated to form larger groups. Coupled with the uncertainties associated with the global business environment, the Group has increased its focus to serve certain key players in the market. In its handset business, the Group has collaborated with two major customers, accounting for approximately 57.3% and 45.1% of sales generated from the handset segment and total sales of the Group for the six months ended 30 June 2012, respectively. Under such increasingly difficult business environment, the Group has agreed to provide these two major customers with longer credit periods with a view that the Group is able to secure stable sales from them. Such lengthening of the credit periods increases the anticipated working capital requirement of the Group, therefore giving rise to a need for the Group to strengthen its financial position.

(ii) The WM Business Plan

In view of the diverse application for the wireless module business, the Company plans to develop the WM Business Plan in order to benefit from this growing business opportunity.

In the short run, the implementation of the WM Business Plan may involve the establishment of sales channels, project developments for such specific industries as utilities, medical, warehouse and retailing as well as product developments including importation to Android operating system and expansion of the spectrum of industrial usages.

The Directors consider additional bank borrowings for the above capital requirements will increase the Group's overall gearing ratio and burden the Group with increased interest expenses, thereby exposing the Group to greater financial risk. As such, the Directors are of the view that the Rights Issue is in the interest of the Group as the increase in the capital base of the Group would strengthen the financial position of the Group in the face of a challenging operating environment in the global mobile handset industry.

The Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future developments of the Group. Accordingly, the Directors, including the independent non-executive Directors, are of the view that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Fund-raising Exercise of the Company during the Past Twelve Months

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months prior to the date of the Announcement and up to the Latest Practicable Date.

Information of the Underwriter

The Underwriter is a company incorporated in the BVI with limited liability and 25% owned by Mr Wong Sun, 25% owned by Mr Wong Hei, Simon, 25% owned by Mr Wong Cho Tung and 25% owned by Ms Yeung Man Ying. Mr Wong Cho Tung, Ms Yeung Man Ying and Mr Wong Hei, Simon are Directors. The Underwriter is an investment holding company not engaged in the business of underwriting. As at the Latest Practicable Date, the Underwriter and persons acting in concert with it were beneficially interested in approximately 45.51% of the issued share capital of the Company.

As at the Latest Practicable Date, the Underwriter or any persons acting in concert with it have not received any irrevocable commitment to vote for or against the proposed resolution approving the Whitewash Waiver at the SGM. Save for the transactions contemplated under the Underwriting Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares entered into by the Underwriter or any persons acting in concert with it and which might be material to the Rights Issue and the Whitewash Waiver.

None of the Underwriter or parties acting in concert with it has any dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, save for the Underwriting Agreement, there is no arrangement or agreement to which the Underwriter or any persons acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue (other than those listed under the section headed "Conditions of the Rights Issue" in this letter) and the Whitewash Waiver. There are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Underwriter or any persons acting in concert with it has borrowed or lent as at the Latest Practicable Date.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date	:	5 October 2012
Underwriter	:	Toman Investments Limited
Number of Underwritten Shares	:	All Rights Shares to be issued pursuant to the Rights Issue, being not less than 852,499,500 Rights Shares but not more than 877,889,500 Rights Shares
Commission	:	(i) 2 per cent. of the aggregate Subscription Price in respect of a maximum of 487,498,500 Underwritten Shares in which Independent Shareholders are entitled under the Rights Issue; and

(ii) Nil for the Underwritten Shares in which the connected persons of the Company (including Info Dynasty, Simcom (BVI), Intellipower, Mr Wong Cho Tung, Ms Yeung Man Ying and the Directors) are entitled under the Rights Issue,

payable by the Company to the Underwriter in cash upon completion of the Rights Issue

Pursuant to the Underwriting Agreement, the Company and the Underwriter agreed that if the conditions of the Rights Issue are fulfilled and/or waived (where applicable) prior to the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may determine) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, the Underwriter shall subscribe for those Underwritten Rights Shares which have not been taken up by the Qualifying Shareholders on or before the Latest Acceptance Date and to pay the relevant Subscription Monies to the Company.

The underwriting commission was determined on an arm's length basis between the Company and the Underwriter, having considered, among other things, the prevailing market condition and the commission payable in other similar transactions in the market. The Directors consider that the terms of underwriting arrangement (including the underwriting commission payable to the Underwriter) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the ability to terminate its obligations under the Underwriting Agreement on the occurrence of certain events. The Underwriter may terminate its commitment under the Underwriting Agreement at any time prior to the Latest Time for Termination if:

(a) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or

(ii) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or

(iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or

(iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or

(v) the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

(1) is or will or is likely to have a material adverse effect on the business or financial condition of the Group as a whole or the Rights Issue; or

(2) has or will have or is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or

(3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(b) there comes to the notice of the Underwriter:

(i) any matter or event showing any of the representations, warranties and undertakings made by the Company was, when given, untrue or misleading or as having been breached in any respect; or

(ii) any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement or under the Option Undertakings,

then and in any such case the Underwriter may, upon giving notice to the Company terminate the Underwriting Agreement with immediate effect.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

WARNING OF THE RISK OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Tuesday, 27 November 2012. Dealings in the Rights Shares in nil-paid form will take place from Tuesday, 11 December 2012 to Tuesday, 18 December 2012 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived (where applicable) on or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may determine), or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed, and are recommended to consult their own professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE

The table below shows the changes in shareholding structure of the Company arising from the Rights Issue:

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders under the Rights Issue and no exercise of the Vested Options on or before the Record Date		Immediately after completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders under the Rights Issue and no exercise of the Vested Options on or before the Record Date		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders under the Rights Issue and full exercise of the Vested Options (other than those Vested Options of the Directors) on or before the Record Date		Immediately after completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders under the Rights Issue and full exercise of the Vested Options (other than those Vested Options of the Directors) on or before the Record Date	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
The Underwriter and persons acting in concert with it *(Notes 1 to 8)*	775,918,000	45.51	1,163,877,000	45.51	1,628,417,500	63.67	1,163,877,000	44.19	1,653,807,500	62.79
Director *(Note 9)*	4,864,000	0.29	7,296,000	0.29	4,864,000	0.19	7,296,000	0.29	4,864,000	0.19
Public	924,217,000	54.20	1,386,325,500	54.20	924,217,000	36.14	1,462,495,500	55.52	974,997,000	37.02
Total	1,704,999,000	100.00	2,557,498,500	100.00	2,557,498,500	100.00	2,633,668,500	100.00	2,633,668,500	100.00

Notes:

1. Info Dynasty, Intellipower, Simcom (BVI), Mr Wong Cho Tung, Ms Yeung Man Ying, the spouse of Mr Wong Cho Tung, Mr Wong Sun and Mr Wong Hei, Simon (both are the sons of Mr Wong Cho Tung) are persons acting in concert with the Underwriter under the Takeovers Code.

2. As at the Latest Practicable Date, the Underwriter and persons acting in concert with it were interested in a total of 775,918,000 Shares representing approximately 45.51% of the existing issued share capital of the Company.

3. As at the Latest Practicable Date, Info Dynasty owned 703,675,000 Shares, representing approximately 41.27% of the issued share capital of the Company. Mr Wong Cho Tung controlled more than one-third of the voting power of Info Dynasty. Mr Wong Cho Tung was therefore deemed to be interested in all the 703,675,000 Shares held by Info Dynasty by virtue of Part XV of the SFO.

4. As at the Latest Practicable Date, Intellipower owned 48,825,000 Shares, representing approximately 2.86% of the issued share capital of the Company. Intellipower was wholly-owned by Mr Wong Cho Tung and he was therefore deemed to be interested in all the 48,825,000 Shares held by Intellipower.

5. As at the Latest Practicable Date, Simcom (BVI) owned 20,000,000 Shares, representing approximately 1.17% of the issued share capital of the Company. Simcom (BVI) was wholly-owned by Mr Wong Cho Tung and he was therefore deemed to be interested in all the 20,000,000 Shares held by Simcom (BVI).

6. As at the Latest Practicable Date, Mr Wong Cho Tung and Ms Yeung Man Ying jointly owned 3,098,000 Shares via CCASS, representing approximately 0.18% of the issued share capital of the Company.

7. As at the Latest Practicable Date, Ms Yeung Man Ying, the spouse of Mr Wong Cho Tung, controlled more than one-third of the voting power of Info Dynasty. Ms Yeung Man Ying is therefore deemed to be interested in all the 703,675,000 Shares held by Info Dynasty by virtue of Part XV of the SFO.

8. As at the Latest Practicable Date, Ms Yeung Man Ying owned 320,000 Shares via CCASS, representing approximately 0.02% of the issued share capital of the Company.

9. As at the Latest Practicable Date, Mr Zhang Jianping, a Director who is not a person acting in concert with the Underwriter, owned 4,864,000 Shares via CCASS, representing approximately 0.29% of the issued share capital of the Company.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue. Further announcement(s) will be made by the Company in accordance with the Listing Rules following the conclusion of the SGM and the completion of the Rights Issue.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders are entitled to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, any unsold Rights Shares created by adding together fractions of nil-paid Rights Shares and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the Excess Application Forms and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Board will allocate the excess Rights Shares being applied for at their discretion on a fair and equitable basis and on the following principles:

(1) subject to the availability of excess Rights Shares, preference will be given to applications for less than a board-lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lot holdings to board-lot holdings (unless the total number of excess Rights Shares is not sufficient to top up all odd-lots into whole board-lots) and that such applications are not made with the intention to abuse such mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares on pro-rata basis with reference to their number of excess Rights Shares applied for, and with board-lot allocations to be made on a best effort basis. No reference will be made to the Rights Shares comprised in applications by Provisional Allotment Letters or the existing number of Shares held by the Qualifying Shareholders.

Shareholders with their Shares held by a nominee company (or which are held with CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the above arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company (or which are held with CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

Shareholders whose Shares are held by their nominee(s) (or which are held with CCASS) and who would like to have their names registered on the register of members of the Company at the close of business on the Record Date, must lodge all necessary documents with the Share Registrar for completion of the relevant registration by 4:30 p.m. on Wednesday, 28 November 2012 (the register of members of the Company will be closed from Thursday, 29 November 2012 to Wednesday, 5 December 2012, both days inclusive).

LISTING AND DEALINGS

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 11 December 2012 to Tuesday, 18 December 2012, both days inclusive.

WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and persons acting in concert with it were interested in a total of 775,918,000 Shares representing approximately 45.51% of the existing issued share capital of the Company.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the balance of the Rights Shares which are not taken up by the Qualifying Shareholders on a fully underwritten basis. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue and no exercise of the Vested Options on or before the Record Date, the Underwriter is therefore required to take up all the Underwritten Shares and the total shareholding of the Underwriter and persons acting in concert with it upon completion of the Rights Issue would amount to approximately 63.67% of the then issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares. Accordingly, the aggregate shareholding in the Company of the Underwriter and persons acting in concert with it upon completion of the Rights Issue may be increased from approximately 45.51% to 63.67%, thereby triggering an obligation for the Underwriter and persons acting in concert with it to make a mandatory offer under Rule 26.1 of the Takeovers Code to acquire all the Shares other than those already held by or agreed to be acquired by them. **Upon completion of the Rights Issue, the Underwriter and parties acting in concert with it may hold more than 50% of the then issued share capital of the Company in which case, the Underwriter and parties acting in concert with it may increase their shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.**

In this regard, an application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has agreed that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Independent Shareholders by way of poll at the SGM in which Shareholders who are involved in, or interested in, the Whitewash Waiver (including the Underwriter and parties acting in concert with it) will abstain from voting. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will not proceed.

INTENTION OF THE UNDERWRITER

It is the intention of the Underwriter that the Group will continue its current business. The Underwriter has no intention to make any major changes to the business or employment of employees of the Group or to redeploy the fixed assets of the Group.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares and, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of the holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares.

SGM

There is set out on pages 157 to 158 of this circular a notice convening the SGM to be held at 9:30 a.m. on Monday, 19 November 2012 at 29A, Admiralty Centre I, 18 Harcourt Road, Hong Kong, at which an ordinary resolution will be proposed to consider, and, if thought fit, to approve, the Whitewash Waiver.

At the SGM, Shareholders who are involved in, or interested in, the Whitewash Waiver (including the Underwriter and parties acting in concert with any of them), namely Info Dynasty, Intellipower, Simcom (BVI), Mr Wong Cho Tung and Ms Yeung Man Ying, will abstain from voting on the resolution to approve the Whitewash Waiver as set out in the notice of the SGM. The respective shareholdings of the above Shareholders are set out in the notes under the paragraph "Changes in Shareholding Structure" in this circular.

A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the principal place of business of the Company in Hong Kong at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

POLL PROCEDURE

The votes to be taken at the SGM will be taken on by a poll, the results of which will be announced after the SGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular which contains its recommendation to the Independent Shareholders as to voting at the SGM in relation to the Whitewash Waiver.

Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Whitewash Waiver and the principal factors and reasons considered by it in arriving thereat. The text of the letter from the Independent Financial Adviser is set out on pages 34 to 54 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
SIM Technology Group Limited
Wong Cho Tung
Director

SIM Technology Group Limited
晨訊科技集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2000)

26 October 2012

To the Shareholders and, for information only, the holders of the Share Options

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE (II) APPLICATION FOR WHITEWASH WAIVER AND (III) NOTICE OF SPECIAL GENERAL MEETING

We refer to the "Letter from the Board" set out in the circular dated 26 October 2012 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider the Whitewash Waiver and to advise the Independent Shareholders as to the fairness and reasonableness of the Whitewash Waiver and to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the SGM to approve the Whitewash Waiver. Altus Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Whitewash Waiver.

We wish to draw your attention to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the Whitewash Waiver as set out in the Circular. We also draw your attention to the Letter from the Board.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we are of the view that the Rights Issue is a fair and reasonable method for the Company to obtain long-term capital, and are of the view that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is fair and reasonable and in the interests of the

* *For identification purposes only*

Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Liu Hing Hung **Xie Linzhen** **Dong Yunting**

Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular.

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

26 October 2012

The Independent Board Committee and the Independent Shareholders
SIM Technology Group Limited
Unit 2908, 29th Floor
248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
(II) APPLICATION FOR THE WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Whitewash Waiver. Details of the transactions are set out in the "Letter from the Board" contained in the circular of the Company dated 26 October 2012 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 October 2012, the Company proposes to issue not less than 852,499,500 Rights Shares but not more than 878,512,500 Rights Shares at the Subscription Price of HK$0.20 per Rights Share on the basis of one Rights Share for every two existing Shares held on the Record Date, to raise a minimum of approximately HK$170.5 million before expenses or a maximum of approximately HK$175.7 million before expenses.

The Rights Issue is available to all Qualifying Shareholders and is fully underwritten by Toman Investments Limited (the "Underwriter") subject to the terms and conditions set out in the Underwriting Agreement. Toman Investments Limited is a company held as to 25% by each of Mr. Wong Sun, Mr. Wong Hei, Simon, Mr. Wong Cho Tung and Ms. Yeung Man Ying. Mr. Wong Hei, Simon, Mr. Wong Cho Tung and Ms. Yeung Man Ying are executive Directors. Ms. Yeung Man Ying is the spouse of Mr. Wong Cho Tung, and both Mr. Wong Sun and Mr. Wong Hei, Simon are their sons. The Underwriter, being a company jointly controlled by the three executive Directors and their associate, is therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, the allotment and issue of the Underwritten Shares is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, as the Company has made arrangements for the application of Rights Shares by the Qualifying Shareholders in excess of their entitlements under the Rights Issue as referred to in Rule 7.21(1) and complied with Rule 7.21(2) of the Listing Rules.

As at the Latest Practicable Date, the Underwriter and persons acting in concert with it are interested in an aggregate of 775,918,000 Shares, representing approximately 45.51% of the existing total issued share capital of the Company. Upon completion of the Rights Issue, assuming no acceptance of Rights Shares by the Qualifying Shareholders and no Shareholders exercise any Vested Options on or before the Record Date, the total number of Shares held by the Underwriter and persons acting in concert with it will increase to 1,628,417,500 Shares, representing the maximum proportion of approximately 63.67% of the total number of Shares in issue as enlarged by the Rights Issue.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger a mandatory general offer by the Underwriter for all the securities of the Company other than those already owned or agreed to be acquired by the Underwriter and persons acting in concert with it, unless, among others, a whitewash waiver is obtained from the Executive and approved by the Independent Shareholders by way of poll. An application will be made by the Underwriter to the Executive for the whitewash waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code ("Whitewash Waiver"). The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders on a vote taken by way of poll at the SGM and such other condition(s) as may be imposed by the Executive. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will not become unconditional and will not proceed.

In summary, the Rights Issue is conditional, among other things, upon the following conditions being fulfilled:

(i) the approval of the Whitewash Waiver by the Independent Shareholders by passing of ordinary resolution at the SGM by way of poll, where the Underwriter and persons acting in concert with it, their respective associates, and all those parties who are involved or interested in the Whitewash Waiver will abstain from voting on the proposed resolution approving the Whitewash Waiver at the SGM; and

(ii) the Executive granting the Whitewash Waiver to the Underwriter and persons acting in concert with it on or before the Prospectus Posting Date and the satisfaction of any condition(s) attached to the Whitewash Waiver granted.

As at the Latest Practicable Date, the Independent Board Committee, comprising all the independent non-executive Directors namely Mr. Liu Hing Hung, Mr. Xie Linzhen and Mr. Dong Yunting, has been established to make recommendation to the Independent Shareholders as to whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole as well as how to vote in respect of the resolution relating to the Whitewash Waiver at the SGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we will give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution relating to the Whitewash Waiver at the SGM. In view of the Underwriter's interest as described above, the Underwriter and persons acting in concert with it shall abstain from voting at the SGM in respect of the Whitewash Waiver.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Whitewash Waiver, we have taken into consideration the following principal factors:

1. Background information of the Company

(a) Principal business

The Group is principally engaged in the manufacturing, design and development and sale of display modules, handsets and solutions, and wireless communication modules. The Group manufactures ODM mobile handsets for branded handset providers and develops wireless communications modules for industrial applications.

(b) Historical financial information

Set out below is a summary of the audited financial information of the Group for each of the three years ended 31 December 2011 and the unaudited results for the six months ended 30 June 2012 as extracted from the Group's respective annual and interim reports. For more details, please refer to the "Financial information of the Group" set out in Appendix I to the Circular.

	For the year ended 31 December			For the six months ended 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Revenue	2,983,532	4,034,031	3,334,099	1,316,727
– Handsets and solutions	1,834,995	3,170,208	2,608,071	1,037,257
– Display modules	204,664	142,129	132,454	38,701
– Wireless communication modules	943,873	721,694	593,574	240,769
– Property development	–	–	–	–
Gross profit	289,855	492,247	268,880	131,419
Gross profit margin	9.72%	12.20%	8.06%	9.98%
Segment profit/(loss)				
– Handsets & solutions	15,038	203,764	(9,722)	(79,556)
– Display modules	(11,828)	(5,339)	(35,009)	(2,265)
– Wireless communication modules	127,371	69,663	10,529	9,706
– Property development	–	(2,653)	(6,244)	(3,414)
(Loss)/Profit before income tax	148,622	266,804	(41,626)	(65,770)
(Loss)/Profit for the year	133,620	237,624	(28,052)	(63,276)

	As at 31 December			As at 30 June
	2009	**2010**	**2011**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Pledged bank deposit	329,114	616,828	171,890	262,190
Bank balance and cash	532,276	534,522	500,817	352,604
Net assets	1,544,469	1,819,090	2,074,890	2,005,124
Gearing ratio	17.6%	35.2%	24.7%	21.9%

Source: Company's 2009, 2010 and 2011 annual reports and 2012 interim report

For the year ended 31 December 2010

Based on the Company's annual report for the year ended 31 December 2010 (the "2010 Annual Report"), the Group recorded an audited consolidated revenue of approximately HK$4,034.0 million, representing an increase of approximately 35.2% from approximately HK$2,983.5 million for the year ended 31 December 2009. Profit for the year ended 31 December 2010 increased accordingly to approximately HK$237.6 million from approximately HK$133.6 million in the previous year.

As described in the 2010 Annual Report, much of the growth for the year ended 31 December 2010 was contributed by the Group's continuous success in ODM service to high-end handset customers and penetration in 3G product segments. The Group has strategically expanded the proportion of high-end ODM business. In particular, one of the key high-end ODM customers contributed over 25% of the revenue (in monetary term) for handset and solutions segment, while only taking up less than 3% of the sales volume (in units) for handset and solutions segment.

As at 31 December 2010, the Group's gearing ratio was approximately 35.2% (2009: approximately 17.6%), based on total borrowings of approximately HK$640.3 million (2009: approximately HK$271.1 million) and total equity of the Group of approximately HK$1,819.1 million (2009: approximately HK$1,544.5 million). The Group's bank balance and cash as at 31 December 2010 were approximately HK$534.5 million (31 December 2009: approximately HK$532.3 million). The increase in borrowings is in line with the increase in revenue of the Group.

For the year ended 31 December 2011

Based on the Company's annual report for the year ended 31 December 2011 (the "2011 Annual Report"), the Group recorded an audited consolidated revenue of approximately HK$3,334.1 million, representing a decrease of approximately 17.4% from approximately HK$4,034.0 million for the year ended 31 December 2010. Loss for the year ended 31 December 2011 amounted to approximately HK$28.1 million as compared to the profit for the year ended 31 December 2010 of approximately HK$237.6 million.

As described in the 2011 Annual Report, the significant deterioration in financial performance was caused by the difficulties involved in the Group's transitional period. In particular, customers' older-generation handset products were exiting the market while the replacement products were not in place to be launch. In addition, the financial performance from high-end ODM projects was not satisfactory and not profitable due to high costs of raw materials and processing incurred in order to meet the high quality standard of handsets for the Japanese market. As a result, the overall sales in the handsets and solutions segment were low during the year.

As at 31 December 2011, the Group's gearing ratio was approximately 24.7% (2010: approximately 35.2%) based on total borrowings of approximately HK$511.5 million (2010: approximately HK$640.3 million) and total equity of the Group of approximately HK$2,074.9 million (2010: approximately HK$1,819.1 million). The Group's bank balance and cash as at 31 December 2011 were approximately HK$500.8 million (31 December 2010: approximately HK$534.5 million). The Group had a lower amount of borrowings as at 31 December 2011 as compared with that of 31 December 2010 due to the credit tightening measures implemented by financial institutions in both the PRC and Hong Kong.

For the six months ended 30 June 2012

Based on the Company's interim report for the six months ended 30 June 2012 (the "2012 Interim Report"), the Group recorded an unaudited consolidated revenue of approximately HK$1,316.7 million and an unaudited loss amounted to approximately HK$63.3 million.

As described in the 2012 Interim Report, the Group recorded a loss in handset and solutions segment as the Group's customers were adversely impacted by the dominance of two leading global handset brands. One of the Group's customers in Japan also encountered unexpected difficulties and has cancelled certain projects with the Group.

As at 30 June 2012, the Group's gearing ratio was approximately 21.9% (31 December 2011: approximately 24.7%) based on total borrowings of approximately HK$438.4 million (31 December 2011: approximately HK$511.5 million) and total equity of the Group of approximately HK$2,005.1 million (31 December 2011: approximately HK$2,074.9 million). The Group's bank balance and cash as at 30 June 2012 were approximately HK$352.6 million (31 December 2011: approximately HK$500.8 million).

The Group recorded lower bank borrowings as at 30 June 2012 as it happened to be the amount of subsisting bank borrowings as at the particular period end date. In fact, during the six months ended 30 June 2012 the Group has increased the use of short-term financing. During the six months ended 30 June 2012, the Group raised new bank borrowings of approximately HK$219.6 million, as compared with approximately HK$127.2 million for the corresponding period in previous year, as general working capital.

Based on the above financial performance of the Group, we concur with the view of Directors that the operating environment of the Group was and will continue to be challenging.

(c) Recent developments

Extension of credit terms

As disclosed in the "Letter from the Board", the Group has shifted its business strategy by focusing to build up and to serve key players in the handset industry, namely high-end ODM customers, as opposed to small or medium sized customers in the past.

We understand from the Directors that the Group will however be required to grant better credit terms in order to secure on-going collaborative relationship with its major ODM customers. In particular, two major customers, who in aggregate constituted approximately 45.1% of the Group's revenue for the six months ended 30 June 2012, demanded for better credit terms by shifting a portion of payment from before delivery to after delivery, thereby lengthening the Group's working capital requirement period.

Notwithstanding the current competitive operating environment for handset and solutions industry, the Directors consider that it is justifiable to further invest in this business segment due to the fact that:

(i) handset and solutions segment is a key business segment of the Group, contributing most of the Group's revenue;

(ii) the Group has expanded its handset and solutions segment to overseas market and is able to meet more stringent standards, which is an advantage over other competitors; and

(iii) despite the handset and solutions segment being competitive, the Directors consider that there remains potential for growth in view of the fact that the market penetration of high-end products in the PRC is still low as compared to overseas market.

We have also reviewed the framework agreements between the Group and the two major customers along with the relevant tender documents as well as the Group's working capital requirement. We noted that the credit terms extended to these two major customers, which have shifted a portion of payment from before delivery to after delivery, will delay cash inflow and thus exert pressure on working capital, taking into account (1) the amount of current liability which is to be settled within 1 year, in particular, the short-term nature of the new bank loans raised during the period ended 30 June 2012; and (2) the fact that the Group's cash and cash equivalents were maintained at various operating subsidiaries which are PRC companies and thus their respective cash balance could not be deployed interchangeably.

Based on the above, we concur with the Directors that despite the keen competition in the handset and solutions market, it is still growing. The Group has to accommodate the requests of the two major customers in order to maintain business relationships and consequently, the associated level of sales. Meanwhile, to support the requisite production volume and the lengthened credit period, the Group has to operate with more working capital for its daily operations.

Wireless module business

According to the 2012 Interim Report, the Group has maintained its leading market share in the communication module business. The Group intends to further strengthen its leading position by developing the wireless module business in order to capture growing business opportunity in the market serving certain specific industries.

As disclosed in the "Letter from the Board", we understand that it is the intention of the Group to further invest in the development of wireless module business. According to the segment information as disclosed in the Group's 2011 Annual Report and 2012 Interim Report, wireless communication module segment is the only segment which remained profitable. The Directors consider further development in the wireless module business will bring future economic benefits to the Group.

We have reviewed a report titled "The Global Wireless M2M Market" published by Berg Insight in 2012 (based on the information provided by various industry practitioners as acknowledged therein) in respect of wireless module industry and noted that the Group is one of the market leaders in cellular wireless modules in the PRC and ranks as one of the top five producers worldwide both in terms of turnover and sales volume.

According to their corporate website, Berg Insight offers premier business intelligence to the telecom industry and produce concise reports providing key facts and strategic insights about wireless machine-to-machine, location-based services, mobile value-added services and next generation technologies. We have reviewed the credentials of Berg Insight to ascertain the reliability of their research. Based on information on their corporate website, Berg Insight has a list of clients which include

(1) network operators and service providers; (2) information technology and telecom vendors; (3) investment banks and management consultancies; and (4) other industries and various government agencies. According to the management of the Company, reports from Berg Insight are commonly referred to by practitioners of wireless module industry.

Given the Group's expertise in the wireless modules industry, its track records and its established sales network, we concur with the Directors that it is justifiable to further invest in this business, including further collaborations with local operators on machine-to-machine projects.

In view of the abovementioned recent developments and taking into account the financial performance of the Group, as well as the challenges it faces, namely market competition and product compatibility, we consider that it is justifiable for the Company to raise additional funds to enable it to continue pursuing its strategies on the handset and solutions business and wireless module business.

2. Reasons for the Rights Issue and use of proceeds

Funding for its business operations in response to recent developments

Taking into account the change in strategy as set out in the section headed "Recent developments" above, it is proposed that the Rights Issue be implemented to raise additional funds for implementing the Group's business operations.

The Company will raise a minimum of approximately HK$170.5 million, before expenses, by way of Rights Issue of not less than 852,499,500 Rights Shares and a maximum of approximately HK$175.6 million, before expenses, by way of Rights Issue of not more than 877,889,500 Rights Shares and the estimated net proceeds from the Rights Issue will be approximately HK$165.0 million. The price per Rights Share is HK$0.20. The Company intends to use the net proceeds: (i) as to approximately HK$143.0 million for additional funding of the working capital requirement resulting from the extension of the credit terms offered to two major customers; and (ii) as to approximately HK$22.0 million for the capital expenditure for wireless module business.

Fund raising alternatives

We have been advised by the Directors that they have consulted certain financial institutions and considered alternative means of fund raising, such as bank borrowings, share placement and issue of convertible securities. The Directors are of the view that bank borrowings will inevitably increase interest expenses of the Group and adversely impact the Group's gearing ratio. In addition, given the current stock market sentiment, the Directors believe that it would be difficult to raise fund through share placement and issue of convertible securities. The Directors also consider that any further placement of the Shares and/or issue of convertible securities would be dilutive to the interest of the existing Shareholders as they will not be able to participate on an equitable basis. In comparison, by taking up their allotments under the Rights Issue in full, the Rights Issue would enable the Qualifying Shareholders to maintain their respective percentage interests in the Company and continue to participate in the future growth and development of the Company.

Given the abovementioned reasons, the Board considers that the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and hence, the Board considers that fund raising through the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

Based on the above and taking into consideration that:

- bank borrowings are not desirable as it would increase the interest costs of the Group (at a time when it is making losses) and increase the gearing ratio of the Company;
- the Rights Issue will increase the capital base of the Company without incurring any additional financing costs;
- share placement or issue of convertible securities would dilute the interests of the existing Shareholders as they will not be able to participate on an equitable basis;
- the Rights Issue provides an opportunity for the Qualifying Shareholders to maintain their relative percentage interests in the Company; and
- Qualifying Shareholders who do not wish to take up their entitlements under the Rights Issue in full will have the opportunity to realise the value of their nil-paid Rights Shares by trading them in the stock market;

we concur with the views of the Directors that the Rights Issue is a fair and reasonable fund raising method for the Company to obtain long-term capital.

3. Principal terms of the Rights Issue

(a) Basis of the Rights Issue

For details of the issue statistics of the Rights Issue, please refer to the "Letter from the Board".

(b) Subscription Price

The Subscription Price of HK$0.20 per Rights Share is payable in full upon acceptance of the relevant offer of Rights Shares. The Subscription Price represents:

(i) a discount of approximately 55.6% to the closing price of HK$0.450 per Share as quoted on the Stock Exchange of the Last Trading Date;

(ii) a discount of approximately 53.7% to the average closing price of approximately HK$0.432 per Share for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Date;

(iii) a discount of approximately 53.5% to the average closing price of approximately HK$0.430 per Share for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Date;

(iv) a discount of approximately 52.1% to the average closing price of approximately HK$0.417 per Share for the previous 1 month as quoted on the Stock Exchange up to and including the Last Trading Date;

(v) a discount of approximately 48.5% to the average closing price of approximately HK$0.388 per Share for the previous 2 months as quoted on the Stock Exchange up to and including the Last Trading Date;

(vi) a discount of approximately 47.2% to the average closing price of approximately HK$0.379 per Share for the previous 3 months as quoted on the Stock Exchange up to and including the Last Trading Date;

(vii) a discount of approximately 45.5% to the theoretical ex-entitlement price of approximately HK$0.367 per Share based on the closing price of HK$0.45 per Share as quoted on the Stock Exchange on the Last Trading Date;

(viii) a discount of approximately 44.4% to the closing price of HK$0.360 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(ix) a discount of approximately 85.1% to the audited consolidated net assets value per Share as at 31 December 2011 of approximately HK$1.342 per Share.

According to the "Letter from the Board", the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the recent trend of prices of the Shares, the financial conditions of the Group and current market conditions. For reference purpose, the recent monthly average closing prices of the Shares are set out below:

2012	**Average closing price**	**Total transaction volume**
	HK$	*No. of Shares*
April	0.548	30,192,000
May	0.477	40,263,500
June	0.433	19,005,470
July	0.373	20,809,000
August	0.358	83,525,400
September	0.407	164,175,000

The Group published an announcement pursuant to Rule 13.09 of the Listing Rules in respect of its unaudited monthly revenue of June 2012 and the unaudited revenue for the six months ended 30 June 2012 on 10 July 2012, and profit warning announcement on 31 July 2012. It is noted that the closing prices per Share decreased from HK$0.43 in early July 2012 to HK$0.33 in late July 2012. The Share prices maintained within the range of HK$0.33 to HK$0.36 until 23 August 2012, where the price closed at HK$0.395 per Share, following the publication of the interim result for the six months ended 30 June 2012 on 21 August 2012. The price per Share gradually increased from late August 2012 and maintained above HK$0.40 in most of September 2012 and up to the Last Trading Date.

The Directors confirm us that they are not aware of any reasons for such increase in Share prices and transaction volume in September 2012.

As the Rights Shares are offered to all Qualifying Shareholders, the Directors have endeavoured to set the Subscription Price at a level that would encourage the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group. The negotiations between the Directors and the Underwriter had been carried on during July and August 2012 where the average closing price of the Shares was around HK$0.35.

In order to assess the reasonableness of the Subscription Price, we have compared the Rights Issue with rights issues/open offers conducted by other companies listed on the Stock Exchange in the six months preceding the Latest Practicable Date. While listed companies differ from one another, it is a common market practice to price a rights issue/open offer at a discount to the market price of the relevant shares in order to encourage subscription by their shareholders.

We have reviewed all rights issues/open offers with prospectus published by companies listed on the Stock Exchange during the six months period prior to the Latest Practicable Date. Details of our findings on these rights issues/open offers (the “List”) are summarised in Table 1. During our analysis, we have identified certain exceptional rights issues/open offers which we consider not appropriate to compare with the Rights Issue (“Excluded Companies”) for reason mainly due to prolonged suspension in the trading of their shares. The Excluded Companies and details for their exclusion are summarised in Table 2.

We consider the selection of such six months period to be sufficient and appropriate for our analysis for fund raising exercises such as rights issues/open offers, as the market sentiment at the relevant time in general plays an important role in the determination of the subscription price, while reasonable number of such fund raising exercises could be included for reference purposes. As far as we are aware, there were no fund raising exercises conducted by companies of similar principal business during 2012.

Table 1: List of companies listed on the Stock Exchange during the six months period prior to the Latest Practicable Date (except for the Excluded Companies set out in Table 2 below)

Prospectus date	Stock code	Company	Basis	Rights price	Last trading date price	Premium/ (discount) to Last trading date price	Theoretical ex-right price	Premium/ (discount) to theoretical ex-right price	Maximum dilution	Underwriting commission
2012.04.24	2326	BEP International Holdings Limited	1 for 2	0.192	0.320	-40.0%	0.277	-30.8%	33.3%	2.5%
2012.04.27	0495	Paladin Limited	2 for 5	0.155	0.120	29.2%	0.141	9.9%	28.6%	2.0%
2012.05.11	8082	Sage International Group Limited	1 for 2	0.100	0.219	-54.3%	0.204	-51.0%	33.3%	0.0%
2012.05.21	1207	SRE Group Limited	1 for 7	0.300	0.385	-22.1%	0.374	-19.8%	12.5%	0.0%
2012.05.22	1125	Lai Fung Holdings Limited	1 for 1	0.125	0.202	-38.1%	0.164	-23.8%	50.0%	2.0%
2012.05.31	2312	China Financial Leasing Group Limited	1 for 2	0.200	0.200	0.0%	0.200	0.0%	33.3%	2.5%
2012.06.04	0009	China Mandarin Holdings Limited	1 for 1	0.538	1.290	-58.3%	0.914	-41.1%	50.0%	2.0%
2012.06.05	0059	Skyfame Realty (Holdings) Limited	1 for 2	0.500	0.690	-27.5%	0.630	-20.6%	33.3%	3.0%
2012.06.11	8041	Luxey International (Holdings) Limited	1 for 2	0.050	0.083	-39.8%	0.072	-30.6%	33.3%	2.5%
2012.06.13	2320	Hop Fung Group Holdings Limited	1 for 2	0.180	0.410	-56.1%	0.333	-46.0%	33.3%	1.0%
2012.06.25	0362	China Zenith Chemical Group Limited	2 for 1	0.150	0.315	-52.4%	0.205	-26.8%	66.7%	2.5%
2012.06.27	8212	Hong Kong Life Group Holdings Limited (currently known as "Celebrate International Holdings Limited")	5 for 1	0.138	0.405	-65.9%	0.183	-24.6%	83.3%	3.5%
2012.07.11	0692	Bao Yuan Holdings Limited	7 for 2	0.120	0.160	-25.0%	0.129	-7.0%	77.8%	3.0%
2012.07.12	1428	Bright Smart Securities & Commodities Group Limited	1 for 2	0.550	0.690	-20.3%	0.643	-14.5%	33.3%	0.0%
2012.07.18	0399	United Gene High-Tech Group Limited	3 for 10	0.022	0.031	-29.0%	0.029	-24.1%	23.1%	5.0%
2012.07.24	8239	Ming Kei Holdings Limited	1 for 2	0.430	0.470	-8.5%	0.457	-5.9%	33.3%	3.5%
2012.07.25	0245	China Seven Star Shopping Limited	1 for 2	0.050	0.070	-28.6%	0.063	-20.6%	33.3%	2.0%
2012.08.21	8321	China Automotive Interior Decoration Holdings Limited	2 for 1	0.100	0.148	-32.4%	0.116	-13.8%	66.7%	3.0%
2012.08.22	8022	TLT Lottotainment Group Limited	1 for 2	0.050	0.045	11.1%	0.047	7.1%	33.3%	3.0%
2012.08.31	0736	China Properties Investment Holding Limited	1 for 2	0.068	0.186	-63.4%	0.147	-53.7%	33.3%	3.0%
2012.09.11	0616	Easyknit Enterprises Holdings Limited	1 for 2	0.077	0.077	0.0%	0.077	0.0%	33.3%	1.0%
2012.09.12	1037	Daiwa Associate Holdings Limited	1 for 4	0.200	0.420	-52.4%	0.376	-46.8%	20.0%	0.0%

Prospectus date	Stock code	Company	Basis	Rights price	Last trading date price	Premium/ (discount) to Last trading date price	Theoretical ex-right price	Premium/ (discount) to theoretical ex-right price	Maximum dilution	Underwriting commission
2012.09.20	0767	Pacific Plywood Holdings Limited	2 for 1	0.093	0.560	-83.4%	0.129	-28.0%	92.3%	2.0%
2012.09.21	0620	UDL Holdings Limited	1 for 3	0.700	1.650	-57.6%	1.410	-50.4%	25.0%	2.5%
2012.10.15	3813	Pou Sheng International (Holdings) Limited	1 for 4	0.491	0.475	3.4%	0.478	2.7%	20.0%	0.0%
2012.10.22	8198	MelcoLot Limited	3 for 1	0.078	0.099	-21.2%	0.083	-6.0%	75.0%	0.0%
		Maximum				29.2%		9.9%	92.3%	5.0%
		Minimum				-83.4%		-53.7%	12.5%	0.0%
		Average				-32.0%		-21.8%	42.0%	2.0%
		(those with premium to rights share excluded)								
		Maximum discount				-83.4%		-53.7%	92.3%	5.0%
		Minimum discount				0.0%		0.0%	12.5%	0.0%
		Average discount				-38.1%		-25.5%	42.0%	2.0%
	2000	**The Company**	**1 for 2**	**0.2**	**0.45**	**-55.6%**	**0.367**	**-45.5%**	**33.3%**	**2.0%**

Table 2: Excluded Companies

Prospectus date	Stock code	Company	Notes	Basis	Rights price	Last trading date price	Premium/ (discount) to Last trading date price	Theoretical ex-right price	Premium/ (discount) to theoretical ex-right price	Maximum dilution	Underwriting commission
2012.05.18	1139	Victory Group Limited	1	110 for 1	0.130	2.980	-95.6%	0.156	-16.7%	99.1%	2.5%
2012.08.10	1076	First Natural Foods Holdings Limited	2	7 for 1	0.562	23.600	-97.6%	3.442	-83.7%	87.5%	3.0%

Notes:

1. Trading of shares has been suspended since 27 September 2006.
2. Trading of shares has been suspended since 15 December 2008.

As shown in Table 1, the companies had subscription prices at a premium/discount to their respective closing price per share on the last full trading day prior to the release of the relevant announcement within a range from a discount of approximately 83.4% to a premium of approximately 29.2%, with an average of a discount of approximately 38.1% (this average discount has excluded the above 3 companies which recorded a premium). In the case of the Rights Issue, the discount of the Subscription Price of HK$0.20 to the closing price on the Last Trading Date is approximately 55.6% which is within the range of the companies set out in Table 1, but above their average discount (this average discount has excluded the above 3 companies which recorded a premium). With regard to the discount/premium to the theoretical ex-entitlement price per share of the companies set out in Table 1, they ranged from a discount of approximately 53.7% to a premium of approximately 9.9%, with an average of approximately 25.5% (this average discount has excluded the above 3 companies which recorded a premium). In the case of the Rights Issue, the Subscription Price has a discount of approximately 45.5% to the theoretical ex-entitlement price per Share, which also falls within the range of the companies set out in Table 1, but above their average discount (this average discount has excluded the above 3 companies which recorded a premium).

By excluding either one or both of the following:

(i) those with market capitalisation over HK$1 billion,

(ii) those with offering ratios other than 1 rights share for 2 existing shares;

there will be a minimum of 10 out of 26 companies of those set out in Table 1, and the discount of the Subscription Price in such scenarios will still fall within the discount ranged from 0% to 83.4%, but above the average discount of 31.1% (excluding those with premium).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter, with reference to the trend of price of the Shares, and current stock market conditions. In addition, it is common market practice to price a rights issue/open offer at a discount to the market price of the shares so as to encourage subscription by the shareholders. By taking up their relevant offer of the Rights Shares, Qualifying Shareholders will be able to maintain their respective shareholding interests in the Company. As for all rights issues/open offers, the interests of the Qualifying Shareholders will not be prejudiced by the relatively deep discount of the Subscription Price so long as they are offered with an equal opportunity to participate in the exercise.

Having considered the above, we are of the view that the respective discounts as represented by the Subscription Price to the closing price and the theoretical ex-entitlement price are comparable to market trend during the past six months and in this respect, we are of the view that the Subscription Price is fair and reasonable.

(c) Excess application for Rights Shares

Qualifying Shareholders are entitled to apply, by way of excess application, for (i) any unsold nil-paid Rights Shares of the Non-Qualifying Shareholders; (ii) any unsold Rights Shares created by adding together fractions of nil-paid Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted to Qualifying Shareholders but not subscribed for. For details of application, please refer to the "Letter from the Board". We are of the view that the above excess application mechanism is fair and reasonable to Independent Shareholders as Qualifying Shareholders are given the first rights to subscribe for any Rights Shares not taken up before the Underwriter.

4. Possible financial effects of the Rights Issue

(a) Adjusted net tangible assets

Based on the information set out in the "Unaudited pro forma financial information of the Group" contained in Appendix II to the Circular, the pro forma adjusted consolidated net tangible assets of the Group ("Pro Forma NTA") would amount to approximately HK$1,947.3 million as a result of the completion of the Rights Issue and receipt of an estimated net proceeds from the Rights Issue of approximately HK$165.0 million.

Assuming completion of the Rights Issue, the Pro Forma NTA per Share would be approximately HK$0.76, representing a decrease of approximately 27.6% from net tangible asset per Share prior to the completion of the Rights Issue of approximately HK$1.05. This is due to the fact that the Subscription Price is fixed at a discount to the net tangible asset per Share prior to the completion of the Rights Issue. Shareholders should also take note of the assumptions made in the preparation of the unaudited pro forma financial information of the Group contained in Appendix II to the Circular; in particular, the pro forma financial information does not take into account any trading result or other transactions of the Group subsequent to 30 June 2012.

(b) Cash resources

As noted from the 2011 Annual Report, the Group had bank balances and cash of approximately HK$500.8 million as at 31 December 2011. According to the 2012 Interim Report, the Group had bank balances and cash of approximately HK$352.6 million as at 30 June 2012.

According to the Directors, such relatively low bank balances and cash as at 30 June 2012 as compared to that of 31 December 2011 was mainly due to the fact that more pledged bank deposit was required to secure bank borrowings as compared to the previous year. Accordingly, more cash was locked up as pledged bank deposit, while the bank borrowings amount was lower as compared to previous year. As at 30 June 2012, pledged bank deposit amounted to approximately HK$262.2 million was utilised to secure bank borrowings of approximately HK$438.4 million, as compared with pledged bank deposit of approximately HK$171.9 million pledged as security for bank borrowings of approximately HK$511.5 million as at 31 December 2011.

Based on the 2012 Interim Report and according to the management, part of the pledged bank deposit was deployed to secure certain short term bank borrowings to meet the short term working capital requirement. We have reviewed the internal financial records of the Group and noted that cash and cash equivalents were maintained at various operating subsidiaries in Shanghai and Shenyang which are PRC companies and thus their respective cash balance could not be deployed interchangeably.

With the net proceeds from the Rights Issue receivable by the Company (which is estimated to be no less than approximately HK$165.0 million), it is expected that the Group's working capital position can be strengthened.

(c) Gearing ratio

As noted from the 2011 Annual Report, the Group's total bank borrowings and total equity as at 31 December 2011 were approximately HK$511.5 million and HK$2,074.9 million respectively. The Company's gearing ratio (being the ratio of total bank borrowings to equity) was therefore approximately 24.7%. Based on the enhanced cash position and enlarged capital base upon completion of the Rights Issue, the Company's gearing ratio is expected to be improved.

Based on the above analysis where the Rights Issue would improve the overall financial position of the Company, we are of the view that, in this respect, it is beneficial to the Company and the Shareholders as a whole.

5. Terms of the Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite not less than 852,499,500 Underwritten Shares and not more than 877,889,500 Underwritten Shares not taken up by the Qualifying Shareholders. Details on the conditions of the Underwriting Agreement are stated in the section headed "Underwriting Agreement" in the "Letter from the Board".

The Company will pay the Underwriter an underwriting commission of 2.0% of the aggregate Subscription Price underwritten by it (excluding Rights Shares provisionally allotted to connected persons of the Company, namely, Info Dynasty, Simcom (BVI), Intellipower, Mr. Wong Cho Tung and Ms. Yeung Man Ying and the Directors), which was arrived at after arm's length negotiations. The Directors believe that the underwriting commission accords with market rates and is fair and reasonable so far as the Independent Shareholders are concerned.

Based on our review of the underwriting arrangements of the companies set out in Table 1, we have noticed that the underwriting commission rates paid by the listed companies ranged from nil to 5.0% with an average of 2.0%. The rate of underwriting commission for the Rights Issue is within the range of the companies as set out in Table 1 and is the same as their average. We also note that no underwriting commission will be applicable to the portion of Underwritten Shares provisionally allotted to but not subscribed for by the Directors and the connected persons to the Underwriter. We consider that the underwriting commission of 2.0% in the present case and the aforesaid arrangement relating to connected persons to be in line with market practice and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible dilution effect of the Rights Issue on the shareholding interests

As the Rights Issue is to be offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Rights Issue in full. Any Qualifying Shareholders who choose not to take up in full their assured allotments under the Rights Issue will have their shareholdings in the Company diluted by up to a maximum of approximately 33.3%. The possible dilution of the Rights Issue on shareholding interests were set out in the section headed "Changes in shareholding structure" in the "Letter from the Board".

As in all rights issues/open offers, a dilution in the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlements under the Rights Issue is inevitable. The dilution magnitude of any rights issues/open offers depends mainly on the extent of the basis of entitlement under such exercises, where the higher the offering ratio of right shares to existing shares is, the greater the dilution on the existing shareholding would be. Based on our review of the companies set out in Table 1, the effect of such maximum dilution ranged from 12.5% to 92.3%. We also noted that 12 out of 26 companies set out in Table 1 conducted rights issues/open offers at the ratio of 1 for 2, which is the same offering ratio as the Rights Issue. The possible maximum dilution of 33.3% as in the case of the Rights Issue falls within the aforesaid range of the companies set out in Table 1 while the offering ratio of the Rights Issue corresponds to those commonly implemented by the companies set out in Table 1. We are of the view that the level of potential dilution to Qualifying Shareholders who do not take up their entitlements under the Rights Issue is acceptable.

7. Whitewash Waiver

As discussed in the section headed "Reasons for the Rights Issue and use of proceeds", we understand that the Company has enquired with certain financial institutions in respect of underwriting for the Rights Issue, and was informed that given the current stock market sentiment, the financial institutions were not interested in participating. Accordingly, the Directors have to explore other possibility in respect of the underwriting of the Rights Issue so as to facilitate the implementation of the Rights Issue.

Subsequent to various discussions and negotiations, Toman Investments Limited, a company held as to 25.0% by each of Mr. Wong Sun, Mr. Wong Hei, Simon, Mr. Wong Cho Tung and Ms. Yeung Man Ying, has agreed to take up the role as the Underwriter. Mr. Wong Hei, Simon, Mr. Wong Cho Tung and Ms. Yeung Man Ying are executive Directors. Ms. Yeung Man Ying is spouse of Mr. Wong Cho Tung, and both Mr. Wong Sun and Mr. Wong Hei, Simon are their sons. They are also the shareholders of Info Dynasty, the controlling shareholder of the Company. As at the Latest Practicable Date, the Underwriter and persons acting in concert with it were interested in a total of 775,918,000 Shares representing approximately 45.51% of the existing issued share capital of the Company.

Upon completion of the Rights Issue, the total number of Shares held by the Underwriter and persons acting in concert with it, may increase from 775,918,000 Shares (representing approximately 45.51% of the total number of Shares in issue as at the Latest Practicable Date) to 1,628,417,500 Shares (representing the maximum proportion of approximately 63.67% of the total number of Shares in issue as enlarged by the Rights Issue assuming no exercise of the Vested Option on or before the Record Date). It is expected that the individual with the largest effective shareholding in the group of persons acting in concert with the Underwriter will not change upon the completion of the Rights Issue. Accordingly, the Underwriter and persons acting in concert with it will be obliged under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all of the Shares and securities issued by the Company not already owned or agreed to be acquired by the Underwriter and persons acting in concert with it. An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The Rights Issue is conditional upon, among other things, the Executive granting the Whitewash Waiver to the Underwriter. Meanwhile, the Executive has indicated that the Whitewash Waiver will be granted subject to, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM by way of poll. Based on our analysis of the financial information, the development of the Group and industry, the terms of the Rights Issue, reasons for the Rights Issue and the use of proceeds as described above, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole. If the Whitewash Waiver is not granted by the Executive or if the Whitewash Waiver is not approved by the Independent Shareholders, the Rights Issue will not proceed and the Company will not receive the proceeds from the Rights Issue. Given our view that the terms of the Right Issue is fair and reasonable for the reasons as described above, we are of the view that, for the purposes of facilitating the Rights Issue as discussed above, the approval of the Whitewash Waiver by the Independent Shareholders is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

We wish to highlight that if the Whitewash Waiver is granted, the Underwriter and persons acting in concert with it may hold more than 50% of the then issued share capital of the Company upon completion of the Rights Issue. In this case, going forward, the

Underwriter and persons acting in concert with it will be free to acquire further voting rights in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the view of the Directors that the Rights Issue is a fair and reasonable method for the Company to obtain long-term capital, and are of the view that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully
For and on behalf of
Altus Capital Limited

Arnold Ip	**Chang Sean Pey**
Executive Director	*Executive Director*

1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the consolidated financial information of the Group for each of the six months ended 30 June 2011 and 2012 and the three years ended 31 December 2009, 2010 and 2011, as extracted from the relevant interim and annual reports of the Company.

The Company's auditors, Deloitte Touche Tohmatsu, have not issued any qualified opinion on the Group's financial statements for the three years ended 31 December 2009, 2010 and 2011.

	For the six months ended 30 June		For the year ended 31 December		
	2012	**2011**	**2011**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
RESULTS					
Revenue	1,316,727	1,265,378	3,334,099	4,034,031	2,983,532
(Loss)/profit before taxation	(65,770)	(17,996)	(41,626)	266,804	148,622
Tax credit/(charge)	2,494	(2,810)	13,574	(29,180)	(15,002)
(Loss)/profit for the year	(63,276)	(20,806)	(28,052)	237,624	133,620
(Loss)/profit attributable to:					
Owners of the Company	(58,282)	(18,748)	(25,478)	233,349	128,975
Non-controlling interests	(4,994)	(2,058)	(2,574)	4,275	4,645
	(63,276)	(20,806)	(28,052)	237,624	133,620
(Loss)/earnings per share	(HK3.4 cents)	(HK1.2 cents)	(HK1.6 cents)	HK15 cents	HK8.5 cents
Dividends per share					
Interim	–	HK1 cent	HK1 cent	HK2.5 cents	HK0.8 cent
Final	–	–	–	HK3 cents	HK2.2 cents
	–	–	HK1 cent	HK5.5 cents	HK3 cents

Note:

There is no exceptional item because of size, nature or incidence for each of the six months ended 30 June 2011 and 2012 and the three years ended 31 December 2009, 2010 and 2011.

	As at 30 June 2012	2011	As at 31 December 2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
ASSETS AND LIABILITIES				
Non-current assets	1,268,728	1,310,679	934,797	880,082
Current assets	2,221,184	2,530,789	2,216,525	1,767,363
Total assets	3,489,912	3,841,468	3,151,322	2,647,445
Current liabilities	1,434,834	1,715,315	1,289,084	1,065,863
Total assets less current liabilities	2,055,078	2,126,153	1,862,238	1,581,582
Non-current liabilities	49,954	51,263	43,148	37,113
Net assets	2,005,124	2,074,890	1,819,090	1,544,469
Non-controlling interest	82,744	88,424	28,025	17,483

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2011

Set out below are the audited financial statements of the Group for the two years ended 31 December 2010 and 2011 which are published in the Company's annual report published on 17 April 2012.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	3,334,099	4,034,031
Cost of sales		(3,065,219)	(3,541,784)
Gross profit		268,880	492,247
Other income	8	55,970	106,695
Other gains and losses	9	51,182	27,559
Research and development expenses		(183,639)	(146,489)
Selling and distribution costs		(124,507)	(94,818)
Administrative expenses		(98,773)	(108,102)
Finance costs	10	(10,739)	(10,288)
(Loss) profit before taxation		(41,626)	266,804
Taxation credit (charge)	12	13,574	(29,180)
(Loss) profit for the year	13	(28,052)	237,624
(Loss) profit for the year attributable to:			
Owners of the Company		(25,478)	233,349
Non-controlling interests		(2,574)	4,275
		(28,052)	237,624
(Loss) earnings per share (HK cents)	15		
Basic		(1.6)	15.0
Diluted		(1.6)	14.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	16	273,023	243,832
Property, plant and equipment	17	684,271	343,389
Land use rights	18	98,401	96,108
Goodwill	19	28,321	28,321
Intangible assets	20	180,432	177,453
Deferred tax assets	21	17,946	9,592
Available-for-sale investments	22	16,605	15,876
Deposits paid for property, plant and equipment		11,680	20,226
		1,310,679	934,797
Current assets			
Inventories	23	620,729	440,013
Properties under development for sales	24	206,772	110,441
Trade receivables	25	105,512	110,420
Notes and bills receivables	25	631,521	124,304
Other receivables, deposits and prepayments	25	293,548	279,997
Pledged bank deposits	26	171,890	616,828
Bank balances and cash	26	500,817	534,522
		2,530,789	2,216,525
Current liabilities			
Trade and notes payables	27	871,302	420,357
Other payables, deposits received and accruals	27	327,327	198,904
Bank borrowings	28	511,472	640,335
Tax payable		5,214	29,488
		1,715,315	1,289,084
Net current assets		815,474	927,441
Total assets less current liabilities		2,126,153	1,862,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	29	170,500	156,962
Reserves	30	1,815,966	1,634,103
Equity attributable to owners of the Company		1,986,466	1,791,065
Non-controlling interests		88,424	28,025
Total equity		2,074,890	1,819,090
Non-current liability			
Deferred tax liabilities	21	51,263	43,148
		2,126,153	1,862,238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory surplus reserve	Other reserve	Share option reserve	Properties revaluation reserve	Capital redemption reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	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 year	–	–	–	–	–	–	–	–	233,349	233,349	4,275	237,624
Other comprehensive income for the year	–	–	–	–	–	–	–	50,433	–	50,433	467	50,900
Total comprehensive income for the year	–	–	–	–	–	–	–	50,433	233,349	283,782	4,742	288,524
Issue of new shares due to exercise of share options	4,091	33,250	–	–	–	–	–	–	–	37,341	–	37,341
Transfer upon exercise of share options	–	16,821	–	–	(16,821)	–	–	–	–	–	–	–
Recognition of equity settled share-based payments	–	–	–	–	16,566	–	–	–	–	16,566	–	16,566
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	5,800	5,800
Dividends paid	–	–	–	–	–	–	–	–	(73,610)	(73,610)	–	(73,610)
At 31 December 2010	156,962	543,914	27,599	97,091	25,144	73,739	–	168,937	697,679	1,791,065	28,025	1,819,090

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Statutory surplus reserve	Other reserve	Share option reserve	Properties revaluation reserve	Capital redemption reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year	–	–	–	–	–	–	–	–	(25,478)	(25,478)	(2,574)	(28,052)
Other comprehensive income for the year	–	–	–	–	–	–	–	68,165	–	68,165	573	68,738
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	68,165	(25,478)	42,687	(2,001)	40,686
Issue of new shares due to exercise of share options	2,070	14,672	–	–	–	–	–	–	–	16,742	–	16,742
Transfer upon exercise of share options	–	7,792	–	–	(7,792)	–	–	–	–	–	–	–
Issue of shares upon listing of Taiwan Depository Receipts on the Taiwan Stock Exchange Corporation	13,750	207,132	–	–	–	–	–	–	–	220,882	–	220,882
Transaction costs attributable to issue of new shares	–	(7,708)	–	–	–	–	–	–	–	(7,708)	–	(7,708)
Repurchase of shares	(2,282)	(16,335)	–	–	–	–	2,282	–	(2,282)	(18,617)	–	(18,617)
Recognition of equity settled share-based payments	–	–	–	–	10,196	–	–	–	–	10,196	–	10,196
Disposal of partial equity interest in a subsidiary *(note c)*	–	–	–	–	–	–	–	–	–	–	62,400	62,400
Dividends paid	–	–	–	–	–	–	–	–	(68,781)	(68,781)	–	(68,781)
At 31 December 2011	170,500	749,467	27,599	97,091	27,548	73,739	2,282	237,102	601,138	1,986,466	88,424	2,074,890

Notes:

(a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except where the reserve has reached 50% of the subsidiaries' registered capital). 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 the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(c) On 4 November 2010, the Group signed a sale and purchase agreement with a related company, which is controlled by Mr Wong Sun, the son of Mr Wong Cho Tung and Ms Yeung Man Ying who are directors of the Company, on disposing 40% equity interest of Shenyang SIM Real Estate Limited at a consideration of US$8,000,000 (approximately HK$62,400,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
(Loss) profit before taxation	(41,626)	266,804
Adjustments for:		
Finance costs	10,739	10,288
Depreciation and amortisation	236,252	210,300
Loss on disposal of property, plant and equipment	69	74
Share-based payments expense	10,196	16,566
(Reverse of) allowances for bad and doubtful debts, net	(10,167)	10,640
Write-down of inventories	31,725	6,513
Changes in fair values of investment properties	(17,702)	(15,310)
Interest income	(18,569)	(8,994)
Operating cash flows before movements in working capital	200,917	496,881
Increase in inventories	(192,236)	(22,406)
Increase in properties under development for sales	(89,775)	(9,815)
Decrease in trade receivables	18,267	21,985
Increase in notes and bills receivables	(503,623)	(48,340)
(increase) decrease in other receivables, deposits and prepayments	(5,456)	1,086
Increase (decrease) in trade and notes payables	438,792	(101,243)
Increase (decrease) in other payables, deposits received and accruals	86,757	(66,594)
Cash (used in) generated from operations	(46,357)	271,554
Interest received	18,569	8,994
Income tax paid	(13,326)	(17,208)
NET (USED IN) CASH FROM OPERATING ACTIVITIES	(41,114)	263,340

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2011

	2011	2010
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(321,639)	(124,409)
Deposits paid for purchase of property, plant and equipment	(11,680)	(20,226)
Development costs paid	(180,742)	(159,756)
Purchases of available-for-sale investments	–	(15,876)
Proceeds on disposal of property, plant and equipment	–	42
Placement of pledged bank deposits	(460,778)	(747,246)
Withdrawal of pledged bank deposits	923,549	462,996
NET CASH USED IN INVESTING ACTIVITIES	(51,290)	(604,475)
FINANCING ACTIVITIES		
Issue of shares	237,624	37,341
Expenses on issue of shares	(7,708)	–
Proceeds from bank borrowings	535,563	733,155
Repayment of bank borrowings	(682,939)	(366,797)
Dividends paid	(68,781)	(73,610)
Interest paid	(10,739)	(10,288)
Capital contribution from non-controlling shareholders of a subsidiary	–	5,800
Repurchase of shares	(18,617)	–
Disposal of partial equity interest in a subsidiary	62,400	–
NET CASH FROM FINANCING ACTIVITIES	46,803	325,601
NET DECREASE IN CASH AND CASH EQUIVALENTS	(45,601)	(15,534)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	534,522	532,276
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	11,896	17,780
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	500,817	534,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

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 ("Info Dynasty"), a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacturing, design and development and sale of display modules, handsets and solutions, and wireless communication modules.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

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

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

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

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

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial instruments

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

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

New and revised standards on consolidation and disclosures

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

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

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

IFRS 13 Fair value measurement

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

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

Amendments to IAS 1 Presentation of items of other comprehensive income

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

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

Amendments to IAS 12 Deferred tax – Recovery of underlying assets

The amendments to IAS 12 provide an exception to the general principles in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in other reserve and attributed to owners of the Company.

Business combinations

Business combinations that took place prior to 1 January 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Value Added Tax ("VAT") refund is recognised as income when the Group's rights to receive the VAT refund has been established.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government subsidies

Government subsidies are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidies are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government subsidies where primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure, except for those transfer from property, plant and equipment and land use rights which are measured at fair value at date of transfer. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Land use rights

Land use rights represent the prepaid lease payments of leasehold interests in land under operating lease arrangements and are amortised on a straight-line basis over the lease terms, except for those held to earn rentals and/or for capital appreciation purpose and classified as investment properties are carried at fair values.

If a land use right becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and included in properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and initially recognised their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Technical know-how acquired in a business combination comprises the rights to use certain technologies for the manufacture of wireless communication module solutions and mobile handset design solutions.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties under development for sales

Properties under development for sales are stated at lower of cost and net realisable value. Cost comprises both the land use rights and development cost of the property. Net realisable value takes into account the price ultimately expected to be realised, less applicable selling expenses and the anticipated costs to completion.

Development cost of property comprises construction costs, borrowing costs capitalised according to the Group's accounting policy and directly attributable cost incurred during the development period. On completion, the properties are transferred to properties held for sales.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified to either available-for-sale investments or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investment.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, notes and bills receivable, other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days.

For financial assets carried at cost, the amount of the impairment loss recognised is difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and notes payables, other payables and accruals and bank borrowings) are initially measured at fair values and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowances for inventories

The management of the Group reviews an aging analysis at the end of the reporting period and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The management estimates the net realisable value for such finished goods and raw materials based primarily on the latest selling and purchase prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for slowing-moving inventory. If the market condition was to deteriorate, resulting in a lower net realisable value for such finished goods and raw materials, additional allowances may be required. As at 31 December 2011, the carrying amount of inventories is approximately HK$620,729,000 (2010: HK$440,013,000).

Impairment of trade receivables

In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amounts of trade receivables are approximately HK$105,512,000 (2010: HK$110,420,000). Details of trade receivables are disclosed in note 25.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised for the amount by which the recoverable amount of property, plant and equipment being lower than its carrying amount. At the end of the reporting period, no property, plant and equipment was impaired based on the impairment assessment performed by management. It is possible that actual outcomes may be different from assumptions, having a material impact on the carrying amount of property, plant and equipment in the period when such estimate is revised. At 31 December 2011, the directors of the Company are satisfied that there is no indication that property, plant and equipment has suffered an impairment loss. As at 31 December 2011, the carrying amount of property, plant and equipment are approximately HK$684,271,000 (2010: HK$343,389,000).

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets acquired from business combination allocating to sale of handsets and solutions cash-generating units ("CGUs") are impaired requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs, a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, an impairment loss may arise. As at 31 December 2011, the carrying amounts of goodwill and intangible assets acquired from business combination allocating to sale of handsets and solutions CGU are approximately HK$28,321,000 (2010: HK$28,321,000) and HK$39,474,000 (2010: HK$43,135,000), respectively.

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group defines the capital of the Group as the total shareholders' equity.

The Group's overall strategy remains unchanged from prior year.

Categories of financial instruments

	2011	**2010**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,557,692	1,599,064
Available-for-sale investments	16,605	15,876
Financial liabilities		
Amortised cost	1,509,768	1,136,370

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade receivables and payables, bills receivable, notes receivables and payables, other receivables and payables, accruals, pledged bank deposits, bank balances and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 34% (2010: 36%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 26% (2010: 48%) of costs are denominated in the group entity's functional currency.

At the end of the reporting period, the major financial assets and liabilities of the Group denominated in currencies other than the functional currency of the respective group entities are (i) trade receivables and notes receivable; (ii) pledged bank deposits and bank balances; (iii) trade payables and (iv) bank borrowings and the amounts are disclosed in notes 25, 26, 27 and 28 respectively.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2011	**2010**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("USD")	260,920	204,288	796,745	932,067

The management monitors foreign exchange exposure by entering non-deliverable foreign exchange forward contracts to eliminate the currency exposures in USD denominated bank borrowings. As at 31 December 2011, there is no open position on the non-deliverable foreign exchange forward contracts. In the opinion of the directors of the Company, the fair values of these forwards are insignificant as at 31 December 2010.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2010: 10%) increase and decrease in RMB against USD. 10% (2010: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts and adjusts their translation at the end of the reporting period for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2010: increase in post-tax profit) where RMB strengthen 10% against USD for the both years. For a 10% weakening of RMB against USD, there would be an equal and opposite impact on the post-tax loss (2010: post-tax profit) and the balances below would be negative.

	2011	2010
	HK$'000	*HK$'000*
Post-tax loss (2010: post-tax profit)	41,280	18,638

Note: This is mainly attributable to the exposure on outstanding USD bank balances, receivables, payables and bank borrowings of the Group at the end of the reporting period.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables, notes and bills receivables, pledged bank deposits, and bank balances.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's bank balances and cash are deposited with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has concentration of credit risks with exposure limited to certain customers. As at 31 December 2011, two (2010: three) customers amounted HK$81,130,000 (2010: HK$68,182,000) comprised approximately 77% (2010: 62%) of the Group's trade receivables. These customers are within the same mobile phone technology industry in the PRC. The management closely monitors the subsequent settlement of the customers and does not grant long credit period to the counterparties. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2011, the carrying amount of bank borrowings amounted to HK$511,472,000 (2010: HK$640,335,000). All such bank borrowings included a repayment on demand clause exercisable at any time by the relevant banks. In accordance with the scheduled repayment dates set out in the loan agreements, the aggregate principal and interest cash outflows amounted to HK$513,720,000 (2010: HK$644,512,000) repayable within 3 months. However, shall the relevant banks exercise their rights to demand immediate repayment, the principal amounts of these bank borrowings amounted to HK$511,472,000 (2010: HK$640,335,000) will be repayment on demand. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment.

The directors consider that liquidity risk is limited after considering the future cash flows of the Group in the foreseeable future, including the repayment schedule of bank borrowings as discussed above and the short-term liabilities which are required to repay within three months from the end of the reporting period. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances.

The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise. A 100 basis point (2010: 100 basis point) change represents management's assessment of the reasonably possible change in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") arising from the Group's variable interest rate bank borrowings.

Sensitivity analysis

The management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

The sensitivity analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If the interest rate of bank borrowings had been 100 basis point (2010: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2011 would increase/decrease by HK$3,970,000 (2010: post-tax profit decrease/increase by HK$5,597,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Fair value

The fair value of financial assets and financial liabilities is determined in accordance with general accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

Revenue represents the amounts received and receivable for goods sold net of returns.

7. SEGMENT INFORMATION

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

The Group is currently organised into four reportable and operating segments-sale of handsets and solutions, sale of display modules, sale of wireless communication modules and property development. These reportable and operating segments are the basis of the internal reports about components of the Group that are regularly reviewed by the executive directors in order to allocate resources to segments and to assess their performance.

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

Segment revenues and results

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

For the year ended 31 December 2011

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

For the year ended 31 December 2010 (restated)

	Sale of handsets and solutions	Sale of display modules	Sale of wireless communication modules	Property development	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue							
External sales	3,170,208	142,129	721,694	–	4,034,031	–	4,034,031
Inter-segment sales	–	52,580	–	–	52,580	(52,580)	–
Total	3,170,208	194,709	721,694	–	4,086,611	(52,580)	4,034,031
Segment profit (loss)	203,764	(5,339)	69,663	(2,653)	265,435	–	265,435
Other income							20,710
Corporate expenses							(24,363)
Gain from changes in fair values of investment properties							15,310
Finance costs							(10,288)
Profit before taxation							266,804

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of gain from changes in fair values of investment properties, rental income, interest income, other income, corporate expenses and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at mutually agreed terms.

Segment assets and liabilities

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

At 31 December 2011

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

At 31 December 2010 (Restated)

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

Note: Liabilities attributable to reportable and operating segments other than sale of display modules and property development represented payables to common suppliers of the reportable and operating segments other than sale of display modules and property development, which cannot be allocated to the respective segments on a reasonable basis.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments other than investment properties, certain property, plant and equipment, pledged bank deposits, bank balances and cash, deposits paid for property, plant and equipment, available-for-sale investments, deferred tax assets and certain other receivables, deposits and prepayment. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments; and

- other than liabilities specifically identified for reportable and operating segments on sale of display modules and property development, the remaining liabilities are allocated between payables jointly consumed by reportable and operating segments on sale of handsets and solutions and sale of wireless communication modules and corporate liabilities. Corporate liabilities include other payables, deposits received and accruals, tax payable, bank borrowings and deferred tax liabilities.

Other segment information

For the year ended 31 December 2011

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

For the year ended 31 December 2010

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

Revenue from major products

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

Information about major customers

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

	2011	2010
	HK$'000	*HK$'000*
Customer A	N/A[1]	817,035
Customer B	949,104	N/A[1]

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

These customers are within same mobile phone technology industry in the PRC.

Geographical information

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

8. OTHER income

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

Notes:

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

(2) The amount includes HK$9,420,000 (2010: HK$35,817,000) unconditional government grants granted to encourage for the Group's research and developments activities in the PRC.

During the year ended 31 December 2011, the Group received government grants of HK$18,940,000 (2010: HK$27,648,000) towards the cost of development on wireless communication modules and mobile handset modules in Shanghai and Shenyang. The amounts are transferred to other income to match actual expenditure used in research and development activities and HK$817,000 (2010: HK$29,722,000) was recognised in the profit or loss during the year. As at 31 December 2011, an amount of HK$47,028,000 (2010: HK$27,349,000) remains to be unamortised and included in other payables.

9. OTHER GAINS AND LOSSES

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

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

10. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interests on bank borrowings wholly repayable within five years	10,739	10,288

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emolument paid or payable to each of the directors were as follows:

	For the year ended 31 December 2011					
	Directors' fees	Salaries and allowances	Bonus	Share-based payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Ms Yeung Man Ying	–	–	–	–	–	–
Mr Wong Cho Tung	–	–	–	–	–	–
Mr Wong Hei, Simon	–	581	–	–	–	581
Mr Zhang Jianping	–	1,162	1,815	1,421	74	4,472
Ms Tang Rongrong	–	508	242	553	3	1,306
Mr Chan Tat Wing, Richard	–	1,300	–	540	60	1,900
Independent non-executive directors						
Mr Dong Yunting *(Note 2)*	91	–	–	–	–	91
Mr Liu Hing Hung	156	–	–	–	–	156
Mr Xie Linzhen	156	–	–	–	–	156
Mr Zhuang Xingfang *(Note 2)*	65	–	–	–	–	65
	468	3,551	2,057	2,514	137	8,727

Notes:

(1) Incentive performance bonus for the year ended 31 December 2011 was determined by the remuneration committee having regard to the performance of directors and the Group's operating results.

(2) Mr Zhuang Xingfeng resigned as independent non-executive director on 1 June 2011 and Mr Dong Yunting was appointed as independent non-executive director on 1 June 2011.

	For the year ended 31 December 2010					
	Directors' fees	Salaries and allowances	Bonus	Share-based payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Ms Yeung Man Ying	–	–	–	–	–	–
Mr Wong Cho Tung	–	–	–	–	–	–
Mr Wong Hei, Simon	–	553	–	–	–	553
Mr Zhang Jianping	–	1,106	1,382	1,423	64	3,975
Ms Tang Rongrong	–	484	346	541	10	1,381
Mr Chan Tat Wing, Richard	–	1,300	–	526	60	1,886
Independent non-executive directors						
Mr Liu Hing Hung	156	–	–	–	–	156
Mr Xie Linzhen	156	–	–	–	–	156
Mr Zhuang Xingfang	156	–	–	–	–	156
	468	3,443	1,728	2,490	134	8,263

Note: Incentive performance bonus for the year ended 31 December 2010 was determined by the remuneration committee having regard to the performance of directors and the Group's operating results.

Employees' emoluments

The five highest paid individuals included three (2010: three) directors for the year ended 31 December 2011, whose emoluments are included in the above. The emoluments of the remaining two (2010: two) individuals are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and allowances	726	968
Bonus	1,678	1,405
Share-based payments	627	536
Retirement benefits scheme contributions	87	127
	3,118	3,036

Their emoluments were within the following bands:

	2011 Number of employees	2010 Number of employees
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	1
HK$1,500,001 to HK$2,000,000	2	1

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments for both years.

12. TAXATION (CREDIT) CHARGE

	2011 *HK$'000*	2010 *HK$'000*
PRC Enterprise Income Tax	5,014	28,286
(Over)under provision in PRC Enterprise Income Tax in prior years	(16,815)	1,788
	(11,801)	30,074
Deferred tax credit *(Note 21)*	(1,773)	(894)
Income tax (credit) expense for the year	(13,574)	29,180

No provision for Hong Kong Profits Tax has been made for both years as the Company and its subsidiaries have no assessable profits arising in Hong Kong.

Pursuant to relevant laws and regulations in the PRC, the PRC subsidiaries registered as wholly foreign owned enterprises are exempted from PRC income tax for the two years starting from their first profit-making year, followed by a 50% tax relief for the next three years. Shanghai Simcom is classified as Key Production Enterprise and is entitled to use an applicable tax rate of 10% for each of the year ended 31 December 2011 and 2010 respectively. Two other wholly-owned subsidiaries of the Company, Shanghai Suncom Logistics Limited ("Suncom Logistics") and Max Vision (Shanghai) Limited ("Shanghai Max Vision") are entitled to adopt a tax rate of 24% (2010: 22%) because they were registered in the area of Shanghai Wai Gao Qiao Free Trade Zone上海外高橋保稅區. Shanghai Sunrise Simcom Limited ("Shanghai Sunrise Simcom") and Smartwireless Technology Limited are classified as New and High Technology Enterprise and are entitled to adopt a tax rate of 15% for both years. The tax charge provided has been made after taking into account these tax incentive.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law') and Implementation Regulation of the EIT Law, Enterprise Income Tax rate of the Group's certain subsidiaries in the PRC increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC ranged from 10% to 25% (2010: 10% to 25%).

The taxation (credit) charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit before taxation	(41,626)	266,804
Taxation at the PRC income tax rate of 25% (2010: 25%)	(10,407)	66,701
Tax effect of expenses not deductible for tax purpose	5,852	10,858
Tax effect of income not taxable for tax purpose	(9,262)	(10,907)
Tax effect of tax losses not recognised	31,658	7,141
(Over)underprovision in respect of prior years	(16,815)	1,788
Utilisation of tax losses previously not recognised	(2,411)	(22,698)
Effect of tax exemptions granted to PRC subsidiaries	(9,629)	(12,664)
Income tax on concessionary rate	(2,560)	(11,039)
Taxation (credit) charge for the year	(13,574)	29,180

13. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year is arrived at after charging (crediting):		
Auditor's remuneration	2,000	1,950
Amortisation of intangible assets (included in cost of sales)	187,379	168,788
Less: Amount capitalised in development costs	(1,421)	(1,188)
	185,958	167,600
Amortisation of land use rights	2,085	2,290
Depreciation of property, plant and equipment	51,769	43,540
Less: Amount capitalised in development costs	(3,560)	(3,130)
	48,209	40,410
Write-down of inventories (included in cost of sales)	31,725	6,513
Costs of inventories recognised as expenses (included in cost of sales)	3,038,696	3,505,281
Staff costs:		
Directors' emoluments *(Note 11)*	8,727	8,263
Other staff costs		
– Salaries and other benefits	372,659	238,629
– Retirement benefits scheme contributions	71,298	47,820
– Share-based payments	7,682	14,076
	460,366	308,788
Less: Amount capitalised in development costs	(147,952)	(126,567)
	312,414	182,221

14. DIVIDENDS

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

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

15. (LOSS) EARNINGS PER SHARE

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

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

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

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

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010	221,217
Increase in fair value recognised in profit or loss	15,310
Exchange differences	7,305
At 31 December 2010	243,832
Increase in fair value recognised in profit or loss	17,702
Exchange differences	11,489
At 31 December 2011	273,023

The Group's investment properties are held under medium-term leases in the PRC. The investment properties are commercial buildings located at 633 JinZhong Road, Changning District, Shanghai, the PRC.

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal & Consulting Limited, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to the discounted cash flow projections based on estimates of future cash flows, supported by the terms of existing lease and reasonable and supportable assumptions that represent what knowledgeable willing parties would assume about rental income for future leases in the light of current conditions, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 December 2011, the Group has pledged investment properties having a fair value of approximately HK$39,114,000 (2010: HK$36,303,000) to secure general banking facilities granted to the Group.

17. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings	Leasehold improvements	Equipment, furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2010	17,145	167,129	4,786	183,199	28,873	6,052	407,184
Exchange differences	541	5,278	138	5,766	911	175	12,809
Additions	42,173	104	163	12,859	67,280	1,830	124,409
Transfer	(22,641)	20,390	–	–	2,251	–	–
Disposals	–	–	(416)	(917)	–	–	(1,333)
At 31 December 2010	37,218	192,901	4,671	200,907	99,315	8,057	543,069
Exchange differences	1,709	8,858	206	9,200	4,561	345	24,879
Additions	201,357	–	–	24,596	148,749	3,079	377,781
Transfer	(173,261)	173,261	–	–	–	–	–
Disposals	–	–	–	(340)	(24)	(439)	(803)
At 31 December 2011	67,023	375,020	4,877	234,363	252,601	11,042	944,926
DEPRECIATION							
At 1 January 2010	–	19,921	4,126	112,416	11,366	3,901	151,730
Exchange differences	–	799	121	4,026	555	126	5,627
Charge for the year	–	8,181	225	24,793	9,408	933	43,540
Eliminated on disposals	–	–	(416)	(801)	–	–	(1,217)
At 31 December 2010	–	28,901	4,056	140,434	21,329	4,960	199,680
Exchange differences	–	1,530	187	6,859	1,156	208	9,940
Charge for the year	–	12,302	244	27,863	10,085	1,275	51,769
Eliminated on disposals	–	–	–	(340)	(22)	(372)	(734)
At 31 December 2011	–	42,733	4,487	174,816	32,548	6,071	260,655
CARRYING VALUES							
At 31 December 2011	67,023	332,287	390	59,547	220,053	4,971	684,271
At 31 December 2010	37,218	164,000	615	60,473	77,986	3,097	343,389

Property, plant and equipment other than construction in progress are depreciated on its cost less their residual values on a straight-line basis at the following rates per annum:

Buildings	5%
Leasehold improvements	The shorter of the lease terms and 5 years
Equipment, furniture and fixtures	20% – 25%
Plant and machinery	10%
Motor vehicles	20%

the buildings of the Group are situated in the PRC and located on land use rights under medium-term leases. The construction in progress mainly represented buildings under construction which are situated in the PRC.

As at 31 December 2011, the Group has pledged buildings having a carrying value of approximately HK$74,428,000 (2010: HK$75,688,000) to secure general banking facilities granted to the Group.

18. LAND USE RIGHTS

	HK$'000
COST	
At 1 January 2010	86,588
Transfer from deposits paid for land use rights	11,678
Exchange differences	3,591
At 31 December 2010	101,857
Exchange difference	4,677
At 31 December 2011	106,534
AMORTISATION	
At 1 January 2010	3,289
Amortisation	2,290
Exchange differences	170
At 31 December 2010	5,749
Amortisation	2,085
Exchange difference	299
At 31 December 2011	8,133
CARRYING AMOUNTS	
At 31 December 2011	98,401
At 31 December 2010	96,108

The land use rights of the Group are held under medium-term lease in the PRC and amortised over the term of the lease of 50 years.

As at 31 December 2011, the Group has pledged land use rights having a carrying value of approximately HK$15,819,000 (2010: HK$15,464,000) to secure general banking facilities granted to the Group.

19. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2010, 31 December 2010 and 31 December 2011	28,321

For the purposes of impairment testing, goodwill has been allocated to the CGU of sale of handsets and solutions. The recoverable amount of the CGUs has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 16.83% (2010: 17.27%). The cash flows beyond the 5-years period are extrapolated having a steady 3% growth rate for both years. The growth rate is based on the relevant industry growth forecasts and average long-term growth rate for the relevant industry. A key assumption for the value in use calculation is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. No impairment on goodwill, as well as segment assets of sale of handsets and solutions segment as disclosed in note 7, is noted. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

20. INTANGIBLE ASSETS

	Licence fee	Development costs	Technical know-how	Customer contracts	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2010	85,198	548,223	71,339	27,514	732,274
Additions	6,699	157,375	–	–	164,074
Exchange differences	1,822	15,329	–	–	17,151
Write-off	–	(156,840)	–	–	(156,840)
At 31 December 2010	93,719	564,087	71,339	27,514	756,659
Additions	3,031	182,692	–	–	185,723
Exchange differences	2,889	25,815	–	–	28,704
Write-off	–	(385,294)	–	–	(385,294)
At 31 December 2011	99,639	387,300	71,339	27,514	585,792
AMORTISATION					
At 1 January 2010	59,337	472,587	20,881	–	552,805
Charge for the year	10,173	139,354	10,090	9,171	168,788
Exchange differences	1,367	13,086	–	–	14,453
Write-off	–	(156,840)	–	–	(156,840)
At 31 December 2010	70,877	468,187	30,971	9,171	579,206
Charge for the year	8,899	158,366	10,943	9,171	187,379
Exchange differences	2,266	21,803	–	–	24,069
Write-off	–	(385,294)	–	–	(385,294)
At 31 December 2011	82,042	263,062	41,914	18,342	405,360
CARRYING AMOUNT					
At 31 December 2011	17,597	124,238	29,425	9,172	180,432
At 31 December 2010	22,842	95,900	40,368	18,343	177,453

Development costs are internally generated. License fee, technical know-how and customer contracts of the Group were acquired from third parties.

The intangible assets have finite useful lives. Intangible assets are amortised on a straight-line basis over the following period:

Licence fee	1 - 5 years
Development costs	9 months - 2 years
Technical know-how	5 - 8 years
Customer contracts	3 years

21. DEFERRED TAX

The following are the major deferred tax (liabilities) assets recognised by the Group and the movement thereon, during the current and prior years.

	Development cost capitalised	**Write-down of inventories and trade receivables**	**Revaluation of investment properties**	**Intangible assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	(8,235)	3,438	(25,610)	(3,268)	(33,675)
Exchange differences	(282)	394	(887)	–	(775)
(Charge) credit to profit or loss	(1,038)	5,760	(3,828)	–	894
At 31 December 2010	(9,555)	9,592	(30,325)	(3,268)	(33,556)
Exchange differences	(465)	400	(1,469)	–	(1,534)
(Charge) credit to profit or loss	(1,756)	7,954	(4,425)	–	1,773
At 31 December 2011	(11,776)	17,946	(36,219)	(3,268)	(33,317)

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

	2011	**2010**
	HK$'000	*HK$'000*
Deferred tax assets	17,946	9,592
Deferred tax liabilities	(51,263)	(43,148)
	(33,317)	(33,556)

At 31 December 2011, other than the deferred tax assets and liabilities mentioned above, subsidiaries of the Group had unused tax losses of approximately HK$192,353,000 (2010: HK$75,365,000) available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of future profit streams of those subsidiaries. Included in unused tax losses of HK$169,953,000 (2010: HK$58,484,000) that will expire by 2016 (2010: 2015). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$567,019,000 (2010: HK$498,685,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Available-for-sale investments comprise:		
Unlisted equity securities in the PRC	16,605	15,876

The above unlisted equity investments represent investments in unlisted equity securities issued by a private entity incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	340,632	347,536
Work in progress	49,058	30,159
Finished goods	231,039	62,318
	620,729	440,013

24. PROPERTIES UNDER DEVELOPMENT FOR SALES

	HK$'000
At 1 January 2010	–
Transfer from deposits paid for land use rights	97,546
Additions	9,815
Exchange differences	3,080
At 31 December 2010	110,441
Additions	89,775
Exchange differences	6,556
At 31 December 2011	206,772

The properties under development for sales of the Group are situated in the PRC and located on land use rights under medium-term leases. In the opinion of the directors, the properties under development for sales are expected to be completed within 1 year.

25. OTHER CURRENT FINANCIAL ASSETS

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

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

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed twice a year. The Group has policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and age analysis of accounts and on management's judgment including creditworthiness and the past collection history of each client.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$7,539,000 (2010: HK$11,892,000) which are past due at the reporting date for which the Group has not provided for impairment loss because they were either subsequently settled as at the date of this report or there was no historical default of payments by the respective customers. The Group does not hold any collateral over these balances. The average age of these receivables is 162 days (2010: 216 days).

Ageing of trade receivables which are past due but not impaired

	2011 *HK$'000*	2010 *HK$'000*
0 – 30 days	–	195
31 – 60 days	3,402	191
61 – 90 days	1,161	293
91 – 180 days	662	4,072
181 – 365 days	2,314	7,141
Total	7,539	11,892

Movement in the allowance for doubtful debts

	2011 *HK$'000*	2010 *HK$'000*
Balance at beginning of the year	21,679	10,486
Impairment losses recognised on receivables	–	11,051
Exchange differences	827	553
Impairment losses reversed	(10,167)	(411)
Balance at end of the year	12,339	21,679

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,111,000 (2010: HK$13,794,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Other receivables are unsecured, interest-free and are recoverable on demand. Deposits mainly represented trade deposits paid to third party suppliers.

As at 31 December 2011, the Group has pledged notes receivables having a carrying value of approximately HK$340,905,000 (2010: nil) to secure general banking facilities granted to the Group.

Included in the trade receivables of HK$36,395,000 (2010: HK$14,068,000) at 31 December 2011 and notes receivable of HK$41,604,000 at 31 December 2010 respectively are denominated in USD, which are not denominated in the functional currency of the respective group entities.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances and cash of the Group are mainly denominated in RMB, Hong Kong dollars and USD. The bank balances receive interest at an average rate of 1.5% (2010: 0.8%) per annum. Included in the bank balances and cash and pledged bank deposits was an amount of HK$446,987,000 (2010: HK$999,885,000) denominated in RMB, which is not freely convertible into other currencies.

The Group's bank deposits of HK$171,890,000 (2010: HK$616,828,000) as at 31 December 2011 were pledged to secure the short-term general banking facilities granted by banks. The bank deposits will mature on clearance of the letter of credit.

At 31 December 2011, bank balances of HK$224,525,000 (2010: HK$148,616,000) are denominated in USD, which are not denominated in the functional currency of the respective group entities.

27. CURRENT FINANCIAL LIABILITIES

Trade and notes payables, other payables, deposits received and accruals principally comprise amounts outstanding for trade purposes and ongoing costs.

Trade payables principally comprise amounts outstanding for trade purchases. The normal credit period taken for trade purchases is 30-60 days. An aged analysis of the Group's trade and notes payables at the end of the reporting period presented based on the invoice date is as follows:

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

At 31 December 2011, included in the trade payables, HK$285,273,000 (2010: HK$291,732,000) are denominated in USD, which are not denominated in the functional currency of the respective group entities.

As 31 December 2011, included in other payables, HK$47,028,000 (2010: HK$27,349,000) are deferred income on government grants, which are released to income over actual expenditure used in research and development activities.

28. BANK BORROWINGS

	2011	**2010**
	HK$'000	*HK$'000*
Secured bank loans	511,472	640,335

At the end of the reporting period, the loans are denominated in USD, which are not denominated in functional currency of the respective group entities, carrying at LIBOR plus a spread and payable within one year. Pursuant to the loan agreement, the bank borrowings were secured by investment properties, property, plant and equipment, land use rights, notes receivables and bank deposits as disclosed in notes 16, 17, 18, 25 and 26 respectively.

29. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	3,000,000	300,000
Issued:		
At 1 January 2010	1,528,706	152,871
Exercise of share options	40,919	4,091
At 31 December 2010	1,569,625	156,962
Exercise of share options	20,694	2,070
Issue of shares upon listing of Taiwan Depositary Receipts on the Taiwan Stock Exchange Corporation *(Note 1)*	137,500	13,750
Repurchase of shares *(Note 2)*	(22,820)	(2,282)
At 31 December 2011	1,704,999	170,500

Notes:

(1) On 18 April 2011, the Company issued 137,500,000 new shares through Taiwan Depositary Receipts on the Taiwan Stock Exchange Corporation at a price of HK$1.61 per share.

(2) During the year ended 31 December 2011, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
	'000	*HK$*	*HK$*	*HK$'000*
June 2011	16,590	0.86	0.75	13,195
July 2011	6,230	0.90	0.84	5,422

The repurchased shares were cancelled in current year and the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase of the shares of HK$16,335,000 was charged to the share premium account. An amount equivalent to the nominal value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchases of the Company's shares during the year ended 31 December 2011 were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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

30. RESERVES

Properties revaluation reserve

	HK$'000
At 1 January 2010, 31 December 2010 and 2011	73,739

Translation reserve

	HK$'000
At 1 January 2010	118,504
Exchange differences arising on translation to presentation currency	50,433
At 31 December 2010	168,937
Exchange differences arising on translation to presentation currency	68,165
At 31 December 2011	237,102

31. OPERATING LEASE ARRANGEMENT

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises of approximately HK$6,406,000 (2010: HK$6,049,000), in which approximately HK$2,299,000 (2010: HK$1,852,000) were capitalised in development costs.

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:

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	4,804	2,636
In the second to fifth year inclusive	2,968	2,338
	7,772	4,974

Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

The Group as lessor

All of the properties held have committed tenants for the next 2-10 years.

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

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	16,450	14,890
In the second to fifth year inclusive	42,251	52,566
After five years	6,588	10,118
	65,289	77,574

32. COMMITMENTS

	2011	2010
	HK$'000	*HK$'000*
Expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– building construction for production plant of the Group	–	18,934
– properties under development for sale	30,163	–
	30,163	18,934

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2011 and 2010.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits scheme. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year, the total amounts contributed by the Group to the schemes and cost charged to the consolidated income statement, which was set out in note 13 to the consolidated financial statement, represents contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

34. SHARE OPTION SCHEMES

The Company had two share option schemes, including pre-initial public offering share options scheme (the "Pre-IPO Options") and post-initial public offering share options scheme (the "Post-IPO Options"). Both Pre-IPO Options and Post-IPO Options were adopted on 30 May 2005. The major terms and conditions of the two schemes are set out below:

(A) Pre-IPO Options

(i) The purpose was to provide incentives to the participants.

(ii) The participants included directors of the Company or its subsidiaries, senior management and other employees of the Group.

(iii) The maximum number of shares in respect of which options might be granted under the Pre-IPO Options shall not exceed 44,000,000 shares.

(iv) Any cancellation of options granted but not exercised must be approved by the board of directors. Any options cancelled cannot be regranted.

(v) Subject to the vesting period set out in page 90 of this report and the terms of the Pre-IPO Options, an option may be exercised by the grantee at any time during the period of 10 years commencing on the date of grant.

(vi) No consideration is required to be paid by the grantee for the grant of options.

(vii) The exercise price of an option is 60% of the offer price in the Company's initial public offering on 21 June 2005.

(viii) The life of the Pre-IPO Options shall be valid and effective from 30 May 2005 to 14 June 2005, after which time no further options will be granted but the provisions of the Pre-IPO Options shall remain in full force and effect in all other respects.

(B) Post-IPO Options

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any employee or executive director and such other persons as the board of directors may consider appropriate.

(iii) On 12 December 2008, a resolution to renew the 10% general limit of the Post-IPO Options was duly passed by the shareholders of the Company. The maximum number of shares in respect of which options might be granted under the Post-IPO Options must not exceed 10% of the shares in issue as at 12 December 2008 and in any event the total maximum number of shares which might be issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of the Company from time to time.

(iv) The acceptance of an option, if accepted, must be made within 5 business days from the date of grant. No consideration is required to be paid by the grantee for the grant of options.

(v) The exercise price of an option must be the highest of:

- the closing price of the share on the grant date;
- the average closing price of the share for the 5 trading days immediately preceding the grant; and
- the nominal value of the share.

(vi) The life of the Post-IPO Options was effective until 29 May 2015, after which time no further option will be granted but provisions of the Post-IPO Options shall remain in full force and effect in all other respects.

The following table disclose details of the options under Pre-IPO Options, Post-IPO Options held by the grantee and movements in such holdings:

Category of participants	Name of scheme	Date of grant	Exercisable period *(Note i)*	Exercise price per share *HK$*	Outstanding at 1 January 2010	Exercised during the year *(Note ii)*	Forfeited during the year *(Note iii)*	Outstanding at 1 January 2011	Exercised during the year *(Note ii)*	Forfeited during the year *(Note ii)*	Outstanding at 31 December 2011
Directors											
Zhang Jianping	Pre-IPO Options	30.5.2005	1.4.2006 – 29.5.2015	1.02	1,500,000	–	–	1,500,000	–	–	1,500,000
	Post-IPO Options	28.3.2008	15.4.2009 – 27.3.2018	0.81	1,364,000	(564,000)	–	800,000	–	–	800,000
	Post-IPO Options	3.9.2009	15.4.2010 – 2.9.2019	0.79	10,000,000	(2,500,000)	–	7,500,000	(300,000)	–	7,200,000
Tang Rongrong	Pre-IPO Options	30.5.2005	1.4.2006 – 29.5.2015	1.02	464,000	(464,000)	–	–	–	–	–
	Post-IPO Options	28.3.2008	15.4.2009 – 27.3.2018	0.81	1,300,000	(500,000)	–	800,000	–	–	800,000
	Post-IPO Options	3.9.2009	15.4.2010 – 2.9.2019	0.79	3,000,000	–	–	3,000,000	–	–	3,000,000
Chan Tat Wing, Richard	Pre-IPO Options	30.5.2005	1.4.2006 – 29.5.2015	1.02	500,000	–	–	500,000	–	–	500,000
	Post-IPO Options	28.3.2008	15.4.2009 – 27.3.2018	0.81	1,600,000	–	–	1,600,000	–	–	1,600,000
	Post-IPO Options	3.9.2009	15.4.2010 – 2.9.2019	0.79	3,000,000	–	–	3,000,000	–	–	3,000,000
					22,728,000	(4,028,000)	–	18,700,000	(300,000)	–	18,400,000
Employees of the Group	Pre-IPO Options	30.5.2005	1.4.2006 – 29.5.2015	1.02	7,801,500	(4,391,000)	(438,000)	2,972,500	(951,000)	(298,500)	1,723,000
	Post-IPO Options	12.5.2006	1.1.2007 – 11.5.2016	3.675	6,437,500	–	(470,000)	5,967,500	–	(1,195,000)	4,772,500
	Post-IPO Options	13.11.2007	1.4.2008 – 12.11.2017	1.64	12,820,000	(4,250,000)	(1,332,000)	7,238,000	(94,000)	(2,052,000)	5,092,000
	Post-IPO Options	28.3.2008	15.4.2009 – 27.3.2018	0.81	47,946,000	(13,273,000)	(3,957,000)	30,716,000	(8,402,000)	(1,529,000)	20,785,000
	Post-IPO Options	3.9.2009	15.4.2010 – 2.9.2019	0.79	91,200,000	(14,977,000)	(3,891,500)	72,331,500	(10,947,500)	(5,608,500)	55,775,500
Total					188,933,000	(40,919,000)	(10,088,500)	137,925,500	(20,694,500)	(10,683,000)	106,548,000
Exercisable at the end of the year								31,205,500			49,537,000
Weighted average exercise price (HK$)					0.964	0.913	0.958	0.973	0.813	1.285	0.972

Notes:

(i) In relation to each grantee of the options granted under the Pre-IPO Options, subject to the vesting period set out below and terms of 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.

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.

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 years from 1 April 2008.

In relation to each grantee of the options granted on 28 March 2008 under Post-IPO Options, 25% of options will vest in each of the four year from 15 April 2009.

In relation to each grantee of the options granted on 3 September 2009 under Post-IPO Options, 25% of options will vest in each of the four year from 15 April 2010.

(ii) During the year ended 31 December 2011, 951,000 (2010: 4,855,000) Pre-IPO options have exercised and 19,743,500 (2010: 36,064,000) Post-IPO options have exercised. The weighted average share price on exercise dates and the weighted average share price immediately before exercise dates are HK$1.548 (2010: HK$2.066) per share.

(iii) During the year ended 31 December 2011, 298,500 (2010: 438,000) options granted under the Pre-IPO Options and 10,384,500 (2010: 9,650,500) options granted under Post-IPO Options were forfeited upon the resignation of employees.

Fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. For the year ended 31 December 2011, an amount of share option expense of approximately HK$10,196,000 (2010: HK$16,566,000) has been recognised with a corresponding adjustment recognised in the Group's share option reserve.

35. RELATED PARTY TRANSACTIONS

On 4 November 2010, the Group signed a sale and purchase agreement with a related company, which is controlled by Mr Wong Sun, the son of Mr Wong Cho Tung and Ms Yeung Man Ying who are directors of the Company, on disposing 40% equity interest of Shenyang SIM Real Estate Limited at a consideration of US$8,000,000 (approximately HK$62,400,000). The disposal is completed in December 2011.

Compensation of key management personnel

The remuneration of key management other than the directors' remuneration as disclosed in note 11 during the year was as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Short-term benefits	5,608	4,485
Post-employment benefits	137	203
Share-based payments	2,514	1,476
	8,259	6,164

The remuneration of directors and key executives is determined by the remuneration committee having regard to the Group's operating results, responsibilities and performance of individuals and market trends.

36. NON-CASH TRANSACTIONS

During the year 31 December 2011, the purchase consideration of property, plant and equipment amounting to HK$20,226,000 (2010: nil) was paid by the Group and included in deposits paid for property, plant and equipment as at 31 December 2010. Also, the purchase consideration of property, plant and equipment amounting to HK$35,916,000 (2010: nil) was remained unsettled and included in other payables, deposits received and accruals as at 31 December 2011.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
SIM Technology Group (BVI) Limited	13 October 2004 BVI	Ordinary shares US$12,233	100%	100%	–	–	Investment holding
Sunrise Electronic Industry Limited	17 December 1999 Samoa	Ordinary shares US$2,002	–	–	100%	100%	Investment holding
Shanghai Sunrise Simcom[2]	9 November 1993 The PRC	Registered and contributed capital200,000,000	–	–	100%	100%	Manufacturing and sales of display modules in the PRC
Shanghai Simcom[2]	5 December 2002 The PRC	Registered and contributed capital US$5,000,000	–	–	100%	100%	Design and development of handsets and solutions and wireless communication modules in the PRC
Suncom Logistics[1]	23 September 2003 The PRC	Registered and contributed capital US$400,000	–	–	100%	100%	Procurement, outsourcing, sales and marketing of the Group's products and provides logistics services in the PRC
Simcom International Holdings Limited	2 October 2003 BVI	Ordinary share US$1	–	–	100%	100%	Investment holding
Suncom International Holdings Limited	12 January 2004 BVI	Ordinary share US$1	–	–	100%	100%	Investment holding
SIM Technology HK Limited	21 April 2004 Hong Kong	Ordinary share HK$1	–	–	100%	100%	Provision of administrative services in Hong Kong
Shanghai Speedcomm[1]	16 November 2005 The PRC	Registered and contributed capital RMB7,500,000	–	–	100%	100%	Design and development of handsets and solutions and wireless communication modules in the PRC
Max Vision Limited	17 September 2003 Hong Kong	Ordinary shares HK$2	–	–	100%	100%	Investment holding
Shanghai Max Vision[1]	8 December 2003 The PRC	Registered and contributed capital US$200,000	–	–	100%	100%	Procurement, outsourcing, sales and marketing of the Group's products and provides logistics services in the PRC

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company Directly 2011	Directly 2010	Indirectly 2011	Indirectly 2010	Principal activities
Simcom Wireless[1]	31 October 2006 The PRC	Registered and contributed capital US$1,000,000	–	–	100%	100%	Design and development of wireless communication modules in the PRC
Shanghai SIM Technology Limited[1]	2 August 2006 The PRC	Registered and contributed capital RMB40,000,000	–	–	100%	100%	Investment holding of land use right in the PRC
Shanghai Simcom Electronic Limited[1]	21 November 2006 The PRC	Registered and contributed capital US$200,000	–	–	100%	100%	Procurement, outsourcing, sales and marketing of the Group's products and provides logistics services in the PRC
Sino Team Investments Limited	3 January 2007 Samoa	Ordinary share US$1	–	–	100%	100%	Investment holding
Shanghai Basecom Limited[1]	18 April 2007 The PRC	Registered and contributed capital US$200,000	–	–	100%	100%	Design and development of handsets and solutions and wireless communication modules in the PRC
Shenyang SIM Technology Limited[2]	25 October 2007 The PRC	Registered and contributed capital US$10,000,000	–	–	100%	100%	Investment holding of land use right in the PRC
Shenyang SIM Real Estate Limited[1]	8 November 2007 The PRC	Registered and contributed capital US$13,100,000	–	–	60% *(Note)*	100%	Properties development in the PRC
Shenyang SIM Simcom Technology Limited[3]	24 July 2008 The PRC	Registered and contributed capital RMB30,000,000	–	–	100%	100%	Design and development of handsets and solutions and wireless communication modules in the PRC
Shenzhen Simcom Technology Limited[3]	28 August 2008 The PRC	Registered and contributed capital RMB5,000,000	–	–	100%	100%	Not yet commence business
Simcom Holdings HK Limited	22 September 2008 Hong Kong	Ordinary share HK$1	–	–	100%	100%	Investment holding
Speedcomm Holdings HK Limited	22 September 2008 Hong Kong	Ordinary share HK$1	–	–	100%	100%	Not yet commence business
Shanghai iLove Limited[1]	27 February 2009 The PRC	Registered and contributed capital US$3,000,000	–	–	100%	100%	Investment holding
Shanghai Xinkang Electronic Technology Limited[3]	5 January 2009 The PRC	Registered and contributed capital RMB20,000,000	–	–	100%	100%	Not yet commence business

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2011	2010	2011	2010	
Shenyang SIM Simcom Trading Limited[3]	5 June 2009 The PRC	Registered and contributed capital RMB2,000,000	–	–	100%	100%	Procurement, outstanding sales and marketing of the Group's products and provides logistics services in the PRC
Goldsey Limited	31 January 2008 Hong Kong	Ordinary shares HK$18,000,000	–	–	60%	60%	Investment holding
Smartwireless Technology Limited[2]	13 February 2007 The PRC	Registered and contributed capital RMB20,500,000	–	–	60%	60%	Design and development of handsets and solutions in the PRC
Shanghai Mobile Phone Public Testing Platform Co., Ltd[2]	21 December 2009 The PRC	Registered and contributed capital RMB20,000,000	–	–	87.5%	87.5%	Design and development of handsets and solutions in the PRC
Shenyang Chenda Precision Industry Co., Ltd[3]	15 November 2010 The PRC	Registered and contributed capital RMB30,000,000	–	–	90%	90%	Manufacturing and sales of display modules in the PRC
Wuxi SIMCom IOT Limited[3]	17 January 2011 The PRC	Registered and contributed capital RMB5,000,000	–	–	100%	–	Not yet commence business

1 Wholly foreign owned enterprises ("WFOE") registered in the PRC.

2 Sino-foreign equity joint venture registered in the PRC.

3 Domestic Company registered in the PRC.

Note: On 4 November 2010, the Group signed a sale and purchase agreement with a related company, which is beneficially owned by Mr Wong Sun, the director of the Company, on disposing 40% equity interest in Shenyang SIM Real Estate Limited. The disposal is completed in December 2011.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

3. INDEBTEDNESS STATEMENT

Bank borrowings

As at 31 August 2012, being the latest practicable date of the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had secured interest-bearing bank borrowings of approximately HK$313.2 million, all of which was repayable within one year. The secured interest-bearing bank borrowings were secured by certain of the Group's buildings, investment properties, land use rights, bank deposits and notes receivable.

Capital commitments

As at 31 August 2012, capital commitments of the Group in respect of properties under development for sales, which were contracted for but not provided in the condensed consolidated financial statements, amounted to approximately HK$84.1 million. The Directors plan to finance the above commitments by internally generated funds of the Group.

Save as disclosed in this section of this circular, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and any collateral, contingent liabilities or capital commitments of the Group after 31 August 2012 and up to the Latest Practicable Date.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Although the operating environment of the handset industry will continue to be challenging, the scale of the handset business is not likely to be replaced in the short term. While exploring an appropriate direction for its transition, the Group continues its ongoing efforts in the research and development of mid-range to high-end handsets, including 4G LTE smart phones to meet the strict quality specifications and price requirements of customers and operators. In addition, the Group will devote greater resources to develop new markets. The Group is committed to exploring new opportunities in differentiating smart phones in areas such as industrial applications and for the "Internet of things" segments in order to expand market coverage and enhance overall gross profit margin of the Group's handset business.

Looking ahead, the handset industry and the global operating environment are fraught with challenges, and the Group's handset business is expected to take time to recover. However, with rising growth momentum and strong competitive edge in the wireless communication module and display module segments, the management believes the Group should return to profitability once the plan for business repositioning and transition is successfully implemented. Thus, the management is confident of achieving sustained growth in the medium-to-long term.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this circular.

6. MATERIAL CHANGE

Based on the interim report of the Company for the six months ended 30 June 2012, during the six months ended 30 June 2012, the Group recorded a significant loss of approximately HK$79.6 million (before taxation) in its handset business, as compared to a loss of approximately HK$18.8 million (before taxation) in the corresponding period in 2011. In the global handset industry, save for two globally dominant brands, other handset providers have been operating at a loss or struggling with diminishing gross profit. The Group therefore suffered as a supplier to these handset providers. The aforesaid industry landscape also resulted in the Group's unsuccessful transition to the high-end ODM market, particularly in Japan, as the two handset giants have been taking market share from the Group's customers. Moreover, branded handset providers have adopted a low-price strategy in order to win tenders at the lowest possible prices from local operators. Such branded handset providers do not intend to make profits or even anticipate losses. Under such circumstances, the Group, as an ODM handset provider, is also not likely record a profit. However, since both the handset sales volume and turnover of this market are huge, the Group would not exit this market but would adopt the strategy of risk control and keep on exercising the minimum customer price level policy. Although the monthly production and delivery capacity of smart phones of the Group exceeded 1 million units since November 2011, the total shipping volume of smart phones reached only 2.16 million units in the first half of 2012.

The Group recorded a profit of approximately HK$9.7 million (before taxation) for the six months ended 30 June 2012 in its wireless communication module segment, as compared to a profit of approximately HK$7.3 million (before taxation) in the corresponding period in 2011. However, the sluggish global economy has dragged down the market demand beneath expectations in the first half of 2012. Moreover, the overseas customers of the Group in the wireless communication module segment have experienced strong cost pressure due to the testing economic conditions and subsequent lack of consumer confidence.

There was strong market demand for display modules, in particular for capacity touch panels ("CTP"). In addition to designing and producing liquid crystal display module ("LCM") and CTP display module as well as hybrid LCM-CTP modules to support its ODM smart phones, the Group also expanded its display module business to external sales. However, as the production lines were still at the construction stage in the first half of 2012, the display module segment has not been able to make a profit contribution to the Group. Regarding its display module business, the Group recorded a loss of approximately HK$2.3 million (before taxation) for the six months ended 30 June 2012, as compared to a loss of approximately HK$15.0 million (before taxation) in the corresponding period in 2011.

Furthermore, during the six months ended 30 June 2012, the Group recognised an impairment on the goodwill arising from the acquisition of a subsidiary in year 2009, amounting to approximately HK$21.0 million, mainly attributable to the Group failing in achieving the previous budgeted results of sale of handsets and solutions due to unsatisfying income generated and more costs incurred.

As a result of the significant loss incurred in the handsets and solutions segment as well as the recognition of goodwill impairment as mentioned above, the Group incurred a loss attributable to the Shareholders of approximately HK$58.3 million for the six months ended 30 June 2012, as compared to a loss attributable to the Shareholders of approximately HK$18.7 million in the corresponding period in 2011.

Save as disclosed in this circular and discussed above, the Directors confirmed that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2011, the date to which the latest published audited consolidated accounts of the Group were made up to the Latest Practicable Date.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information of the Group attributable to the owners of the Company (the "Unaudited Pro Forma Financial Information") has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the proposed Rights Issue on the basis of one Rights Share for every two existing Shares held on the Record Date at HK$0.20 per Rights Share on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2012.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to the Company derived from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012, extracted from the interim report of the Company for the six months ended 30 June 2012, with adjustment described below:

Unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2012	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of Rights Issue**
HK$'000	*HK$'000*	*HK$'000*
(Note 1)	*(Note 2)*	
1,782,303	165,000	1,947,303

	HK$
Unaudited adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 30 June 2012 before the completion of the Rights Issue *(Note 3)*	1.05
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 30 June 2012 immediately after the completion of the Rights Issue *(Note 4)*	0.76

Notes:

(1) The amount of approximately HK$1,782,303,000 is determined based on the unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately HK$1,922,380,000 as at 30 June 2012, which is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2012 set out in the interim report of the Company dated on 21 August 2012, with adjustment of goodwill of approximately HK$7,321,000 and intangible assets of approximately HK$132,756,000 as at 30 June 2012.

(2) The estimated net proceeds from the Rights Issue of approximately HK$165,000,000 are based on 852,499,500 Rights Share to be issued (based on 1,704,999,000 Shares of the Company in issue as at 30 June 2012 and assuming no share options would be exercised) at the subscription price of HK$0.20 per Rights Share and after deduction of estimated related expenses, including among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue, of approximately HK$5,500,000.

(3) Unaudited adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 30 June 2012 before the completion of the Rights Issue is determined based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2012 of approximately HK$1,782,303,000 as disclosed in note (1) above, divided by 1,704,999,000 Shares which represents Company's Shares in issue as at 30 June 2012.

(4) Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 30 June 2012 immediately after the completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of Rights Issue of approximately HK$1,947,303,000, divided by 2,557,498,500 Shares which represents 1,704,999,000 Shares of the Company in issue as at 30 June 2012 and 852,499,500 Rights Shares to be issued pursuant to the Rights Issue (based on 1,704,999,000 Shares of the Company in issue as at 30 June 2012 and assuming no share options would be exercised).

(5) As the number of Rights Shares to be issued would be affected by number of shares options that may be vested and may become exercisable up to and including the Record Date which involve uncountable possibilities, for simplicity, the preparation of the pro forma financial information as set out above does not assume the exercise of share options. However, assuming all the vested share options outstanding as at the Latest Practicable Date excluding those granted to directors of the Company (as the directors of the Company have undertaken not to exercise vested share options on or before the Record Date) were exercised in full, an additional 25,390,000 Rights Shares may be issued, and a maximum number of 877,889,500 Rights Shares may fall to be issued. The maximum number of Rights Shares is subject to changes as a result of share options which become vested, exercised or forfeited during the period from the Latest Practicable Date up to and including the Record Date.

(6) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2012.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SIM TECHNOLOGY GROUP LIMITED

We report on the unaudited pro forma financial information of SIM Technology Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as set out in section A of Appendix II to the circular dated 26 October 2012 (the "Circular") issued by the Company, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Rights Issue (as defined in the Circular) might have affected the financial information presented. The basis of preparation of the unaudited pro forma financial information of the Group is set out in section A of Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information of the Group in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagements in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information of the Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information of the Group is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2012 or any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information of the Group has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information of the Group as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 October 2012

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

26 October 2012

The Directors
SIM Technology Group Limited
Unit 2908 on 29th Floor
No. 248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by SIM Technology Group Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 July 2012 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests in Group I, which is held by the Group for owner occupation in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

In valuing the property interest in Group II which is held by the Group under development for sale in the PRC,, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Group. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

In valuing the property interest in Group III, which is held by the Group for owner occupation and investment in the PRC, we have valued either on the basis of capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or by reference to comparable market transactions.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in their existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Allbright Law Offices.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases (the "Takeovers Code") issued by the Securities and Futures Commission.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 July 2012 was HK$1 = RMB0.8206. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

In order to comply with Rule 11.3 of the Takeovers Code, the potential tax liability which may arise on the disposal of the property interests held by the Group in the PRC mainly includes PRC sales tax (5% of sales revenue), PRC land appreciation tax (30%-60% of the net appreciation amount) and PRC corporate income tax (25%). However, the likelihood of the relevant tax liability being crystallized is remote as the Group has no plan to dispose of or transfer all of the relevant property interests yet at the current stage. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty five years' experiences in undertaking valuations of properties in Hong Kong and has over eighteen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interests held by the Group for owner occupation in the PRC

	Property	Market Value in existing state as at 31 July 2012	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 July 2012
1.	An industrial complex located at No. 37 Shenbei Road, Shenbei New District, Shenyang City, Liaoning Province, the PRC	RMB27,750,000 (equivalent to approximately HK$33,820,000)	100%	RMB27,750,000 (equivalent to approximately HK$33,820,000)
2.	An industrial complex located at No. 888 Shengli Road, Qingpu District, Shanghai City, the PRC	RMB84,500,000 (equivalent to approximately HK$102,970,000)	100%	RMB84,500,000 (equivalent to approximately HK$102,970,000)
	Sub-total:	**RMB112,250,000 (equivalent to approximately HK$136,790,000)**		**RMB112,250,000 (equivalent to approximately HK$136,790,000**

Group II – Property interest held by the Group under development for sale in the PRC

	Property	Market Value in existing state as at 31 July 2012	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 July 2012
3.	Chenxing Garden, No. 32 Shenbei Road, Shenbei New District, Shenyang City, Liaoning Province, the PRC	RMB272,000,000 (equivalent to approximately HK$331,500,000)	60%	RMB163,200,000 (equivalent to approximately HK$198,900,000)
	Sub-total:	**RMB272,000,000 (equivalent to approximately HK$331,500,000)**		**RMB163,200,000 (equivalent to approximately HK$198,900,000)**

Group III – Property interest held by the Group for owner occupation and investment in the PRC

	Property	Market Value in existing state as at 31 July 2012	Interest attributable to the Group	Market Value in existing state attributable to the Group as at 31 July 2012
4.	Blocks 1 and 2, SIM Technology Building, No. 633 Jinzhong Road, Changning District, Shanghai City, the PRC	RMB455,300,000 (equivalent to approximately HK$554,800,000)	100%	RMB455,300,000 (equivalent to approximately HK$554,800,000)
	Sub-total:	**RMB455,300,000 (equivalent to approximately HK$554,800,000)**		**RMB455,300,000 (equivalent to approximately HK$554,800,000)**
	Grand total:	**RMB839,550,000 (equivalent to approximately HK$1,023,090,000)**		**RMB730,750,000 (equivalent to approximately HK$890,490,000)**

VALUATION CERTIFICATES

Group I – Property interests held by the Group for owner occupation in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012
1.	An industrial complex located at No. 37 Shenbei Road, Shenbei New District, Shenyang City, Liaoning Province, the PRC	The property comprises two parcels of land having a total site area of approximately 133,575 sq.m. with 10 buildings and various structures completed in between 2010 and 2012 erected thereon. The total gross floor area of the buildings is approximately 58,458.91 sq.m. The buildings mainly include a comprehensive building, workshops, dormitories and a guard house. The land use rights of the property were granted for terms expiring on 26 November 2059 and 24 May 2059 for industrial use.	The property is currently occupied for production, office and dormitory uses. Upon our site inspection, the buildings of the property were kept in a good condition.	RMB27,750,000 (equivalent to approximately HK$33,820,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 31 July 2012** RMB27,750,000 (equivalent to approximately HK$33,820,000)

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates (Document Nos.: Shen Bei Guo Yong (2009) No. 270 and Shen Bei Guo Yong (2010) No. 044), the land use rights of the property having a total site area of approximately 133,575 sq.m. have been granted to Shenyang SIM Technology Limited for industrial use for terms expiring on 24 May 2059 and 26 November 2059 respectively.

2. Pursuant to 2 Planning Permits for Construction Land (Document Nos.: 210113200900025 and 210113200900032) issued by Shenyang City Planning and Land Resources Bureau, Puhe Branch, the construction sites of 2 parcels of land with a total site area of approximately 133,575 sq.m. are in compliance with the urban and village planning requirements and are approved.

3. Pursuant to 3 Permits for Commencement of Construction Works (Document Nos.: PH210113200909050201, PH210113201008280301 and 210132201106160701), the construction works of the property with a total gross floor area of approximately 58,197.80 are in compliance with the requirements for works commencement and are approved.

4. As advised by the Group, the Building Ownership Certificates for the 10 buildings erected on the property having a total gross floor area of approximately 58,458.91 sq.m. have not yet been obtained.

5. In the valuation of the property, we have attributed no commercial value to the 10 buildings erected on the property due to the absence of the relevant title document. For reference purpose, we are of the opinion that the depreciated replacement cost of the 10 buildings as at the date of valuation would be RMB121,800,000 (equivalent to approximately HK$148,430,000) assuming relevant title documents have been obtained and they could be freely transferable in the open market.

6. Shenyang SIM Technology Limited is an indirect wholly-owned subsidiary of the Company.

7. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

   (i) Shenyang SIM Technology Limited has legally owned the land use rights of the property.

   (ii) Shenyang SIM Technology Limited is entitled to occupy, use, mortgage and transfer the land use rights of the property.

   (iii) The land premium has been fully settled.

   (iv) The property is free from any mortgages, charges and third party encumbrance.

8. The property was inspected by Mr. Kaka Li, China Real Estate Appraiser (CREA), on 21 August 2012.

VALUATION CERTIFICATES

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012
2.	An industrial complex located at No. 888 Shengli Road, Qingpu District, Shanghai City, the PRC	The property comprises a parcel of land having a site area of approximately 66,829.80 sq.m. with 8 buildings completed in 2004 and 2012 erected thereon. The total gross floor area of the buildings is approximately 61,154.57 sq.m. The buildings mainly include workshops, dormitories and a canteen. The land use rights of the property were granted for a term expiring on 26 April 2054 for industrial use.	The property is currently occupied for production, office and dormitory uses. Upon our site inspection, the buildings of the property were kept in a fair condition.	RMB84,500,000 (equivalent to approximately HK$102,970,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 31 July 2012** RMB84,500,000 (equivalent to approximately HK$102,970,000)

Notes:

1. Pursuant to the Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Qing Zi (2010) No. 007167), the land use rights of the property having a site area of approximately 66,829.80 sq.m. have been granted to Shanghai Sunrise Simcom Limited for industrial use for a term expiring on 26 April 2054.

2. Pursuant to the Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Qing Zi (2010) No. 007167), 2 buildings having a total gross floor area of approximately 16,741.64 sq.m. erected on the property were vested in Shanghai Sunrise Simcom Limited.

3. As advised by the Group, the Certificates of Real Estate Ownership the 6 buildings erected on the property having a total gross floor area of approximately 44,412.93 sq.m. have not yet been obtained.

4. In the valuation of the property, we have attributed no commercial value to the 6 buildings erected on the property due to the absence of the relevant title document. For reference purpose, we are of the opinion that the depreciated replacement cost of the 6 buildings as at the date of valuation would be RMB91,300,000 (equivalent to approximately HK$111,260,000) assuming relevant title documents have been obtained and they could be freely transferable in the open market.

5. Shanghai Sunrise Simcom Limited is an indirect wholly-owned subsidiary of the Company.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

   (i) Shanghai Sunrise Simcom Limited has legally owned the land use rights and the building ownership rights of 2 buildings of the property.

   (ii) Shanghai Sunrise Simcom Limited is entitled to occupy, use, mortgage and transfer the property.

(iii) The land premium has been fully settled.

(iv) 2 buildings of the property is subject to a mortgage in favour of Bank of Communications Limited, Changning Branch for a drawdown term from 29 November 2011 to 10 November 2012 at a loan amount of RMB60,000,000.

7. The property was inspected by Mr. Kaka Li, China Real Estate Appraiser (CREA), on 23 August 2012.

VALUATION CERTIFICATES

Group II – Property interest held by the Group under development for sale in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012
3.	Chenxing Garden, No. 32 Shenbei Road, Shenbei New District, Shenyang City, Liaoning Province, the PRC	The property comprises a parcel of land having a site area of approximately 85,141 sq.m. The property has been planned to be developed into a composite residential and commercial development. According to the Group, the proposed gross floor area of the property is as follows: **Use** / **Approximate Gross Floor Area (sq.m.)** Residential 155,208.66 Commercial 12,162.91 Basement 4,782.00 Total: 172,153.57 According to the Group, the development is scheduled to be completed in the second half of 2015. The land use rights of the property were granted for terms expiring on 21 May 2060 and 21 May 2050 for residential and commercial uses respectively.	The property is currently under construction.	RMB272,000,000 (equivalent to approximately HK$331,500,000) **Interest attributable to the Group** 60% **Market Value in existing state attributable to the Group as at 31 July 2012** RMB163,200,000 (equivalent to approximately HK$198,900,000)

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate (Document No.: Shen Bei Guo Yong (2011) No. 256), the land use rights of the property having a site area of approximately 85,141 sq.m. have been granted to Shenyang SIM Real Estate Limited for terms expiring on 21 May 2060 and 21 May 2050 for residential and commercial uses respectively.

2. Pursuant to the Planning Permit for Construction Land (Document No.: Di Zi No. 210113201000123) issued by Shenyang City Planning and Land Resources Bureau, Puhe Branch, the construction site of a parcel of land with a site area of approximately 85,141 sq.m. are in compliance with the urban and village planning requirements and are approved.

3. Pursuant to 2 Planning Permit for Construction Works (Document Nos. Jian Zi Nos. 210113201100034 and 2101132012000674) issued by Shenyang City Planning and Land Resources Bureau, Puhe Branch, the construction works of the property with a total gross floor area of 172,153.57 sq.m. are in compliance with the urban and village construction requirements and are approved.

4. Pursuant to the Permit for Commencement of Construction Works (Document No.: 210132201111210601), the construction works of portion of the property with a total gross floor area of approximately 63,119.48 are in compliance with the requirements for works commencement and are approved.

5. Pursuant to 2 Commodity Housing Pre-sale Permits (Document Nos.: Shen Fang Yu Shou No. 12009 and 12062) issued by Shenyang City Real Estate Administration Bureau, part of the property with a total gross floor area of 37,523.24 sq.m. are permitted for pre-sale.

6. According to the Group, the construction to complete the property is estimated to be approximately RMB400,000,000.

7. The capital value when completed of the proposed development is approximately RMB878,000,000.

8. Shenyang SIM Real Estate Limited is an indirect 60% – owned subsidiary of the Company.

9. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

   (i) Shenyang SIM Real Estate Limited has legally owned the land use rights of the property and obtained the relevant permits issued by the government concerning the development of the property.

   (ii) Shenyang SIM Real Estate Limited is entitled to occupy, use, mortgage and transfer the property.

   (iii) The land premium has been fully settled.

   (iv) The property is free from any mortgages, charges and third party encumbrance.

10. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	State-owned Land Use Rights Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes
(iv)	Permit for Commencement of Construction Works	Yes (Portion)
(v)	Commodity Housing Pre-sales Permit	Yes (Portion)

11. The property was inspected by Mr. Kaka Li, China Real Estate Appraiser (CREA), on 21 August 2012.

VALUATION CERTIFICATES

Group III – Property interest held by the Group for owner occupation and investment in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012
4.	Blocks 1 and 2, SIM Technology Building, No. 633 Jinzhong Road, Changning District, Shanghai City, the PRC	The property comprises two 7-storey buildings completed in 2009. The property has a total gross floor area of approximately 37,250.92 sq.m. The land use rights of the property were granted for a term expiring on 9 April 2057 for research use.	Portion of the property having a total gross floor area of approximately 12,507.46 sq.m. is leased to various tenants for various terms at a total yearly rent of RMB15,083,843, with the last lease term expiring on 17 May 2022. The remaining portion of the property is occupied by the Group for office use. Upon our site inspection, the property was kept in a good condition.	RMB455,300,000 (equivalent to approximately HK$554,800,000) **Interest attributable to the Group** 100% **Market Value in existing state attributable to the Group as at 31 July 2012** RMB455,300,000 (equivalent to approximately HK$554,800,000)

Notes:

1. Pursuant to a Shanghai Certificate of Real Estate Ownership (Document No.: Hu Fang Di Chang Zi (2010) No. 008177), the ownership right of SIM Technology Building is vested in Shanghai SIM Technology Limited. The details are as follows:

Shanghai Certificate of Real Estate Ownership	Use	Expiry Date	Site Area *(sq.m.)*	Gross Floor Area *(sq.m.)*
Hu Fang Di Chang Zi (2010) No. 008177	Research	9 April 2057	13,333	37,250.92

2. Shanghai SIM Technology Limited is an indirect wholly-owned subsidiary of the Company.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal adviser, which contains, inter alia, the following information:–

   (i) Shanghai SIM Technology Limited has legally owned the land use rights and the building ownership rights of the property.

   (ii) Shanghai SIM Technology Limited is entitled to occupy, use, mortgage and transfer the property.

   (iii) The land premium has been fully settled.

(iv) Basement, Levels 1 and 2 of Block 1 of the property is subject to a mortgage in favour of China Merchants Bank Limited for a drawdown term from 30 March 2012 to 29 March 2015 at a loan amount of RMB60,000,000.

(v) Levels 3 and 4 of Block 1 of the property is subject to a mortgage in favour of China Construction Bank Limited for a drawdown term from 3 February 2012 to 2 February 2013 at a loan amount of RMB81,600,000.

4. The property was inspected by Mr. Kaka Li, China Real Estate Appraiser (CREA), on 23 August 2012.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purposes of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those in relation to the Underwriter which are the paragraphs headed "Information of the Underwriter" and "Intention of the Underwriter" of the "Letter from the Board", the sub-paragraphs (3), (5) and (6) of the paragraph headed "Other disclosures of interests" under "Disclosure of Interests", the paragraphs headed "The Underwriter and parties acting in concert with it" under "Dealings in Securities", "Information of the Underwriter" and the sub-paragraph (a) of the paragraph headed "General" in this appendix) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of the Underwriter jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue (assuming no Vested Options are exercised on or before the Record Date) will be, as follows:

Authorised share capital:		*HK$*
3,000,000,000	Shares as at the Latest Practicable Date	300,000,000
Issued and fully paid share capital:		
1,704,999,000	Shares in issue as at the Latest Practicable Date	170,499,900
852,499,500	Shares to be issued upon completion of the Rights Issue (assuming no Vested Options are exercised on or before the Record Date)	85,249,950
2,557,498,500	Shares upon completion of the Rights Issue (assuming no Vested Options are exercised on or before the Record Date)	255,749,850

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form. The Company had no debt securities in issue as at the Latest Practicable Date.

The number of Shares in issue as at the Latest Practicable Date was the same as that as at the end of the last financial year of the Company, being 31 December 2011. There had been no alteration to the issued share capital of the Company since the end of the last financial year of the Company, being 31 December 2011, to the Latest Practicable Date.

(b) Share Options

Details of Share Options granted by the Company pursuant to the Share Option Schemes are as follows:

		Number of Share Options				
Name/Category of Participants	**Name of scheme**	**As at 30 June 2012**	**Exercised**	**Lapsed**	**As at the Latest Practicable Date**	**Grant Date**
Directors						
Zhang Jianping	Pre-IPO Options	1,500,000	–	–	1,500,000	30 May 2005
	Post-IPO Options	800,000	–	–	800,000	28 March 2008
	Post-IPO Options	7,200,000	–	–	7,200,000	3 September 2009
		9,500,000	–	–	9,500,000	
Tang Rongrong	Pre-IPO Options	–	–	–	–	30 May 2005
	Post-IPO Options	800,000	–	–	800,000	28 March 2008
	Post-IPO Options	3,000,000	–	–	3,000,000	3 September 2009
		3,800,000	–	–	3,800,000	
Chan Tat Wing, Richard	Pre-IPO Options	500,000	–	–	500,000	30 May 2005
	Post-IPO Options	1,600,000	–	–	1,600,000	28 March 2008
	Post-IPO Options	3,000,000	–	–	3,000,000	3 September 2009
		5,100,000	–	–	5,100,000	
Sub-total		18,400,000	–	–	18,400,000	
Employees of the Group						
	Pre-IPO Options	1,723,000	–	(50,000)	1,673,000	30 May 2005
	Post-IPO Options	4,772,500	–	–	4,772,500	12 May 2006
	Post-IPO Options	5,092,000	–	(306,000)	4,786,000	13 November 2007
	Post-IPO Options	20,785,000	–	(6,222,500)	14,562,500	28 March 2008
	Post-IPO Options	55,775,500	–	(18,077,000)	37,698,500	3 September 2009
Sub-total		88,148,000	–	(24,655,500)	63,492,500	
Total		106,548,000	–	(24,655,500)	81,892,500	

Notes:

(1) In relation to each grantee of the Share Options under the Share Option Schemes, 25% of the Share Options were vested 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 Share Options granted on 12 May 2006 under the Share Option Schemes, 25% of the Share Options were vested 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 Share Options granted on 13 November 2007 under the Share Option Schemes, 25% of the Share Options were vested 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 Share Options granted on 28 March 2008 under the Share Option Schemes, 25% of the Share Options were vested 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 Share Options granted on 3 September 2009 under the Share Option Schemes, 25% of the Share Options would be vested 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.

Upon the Rights Issue becoming unconditional, the exercise price of and/or the number of Shares comprised in the Share Options may be subject to adjustments.

Save as the Share Options granted pursuant to the Share Option Schemes, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, section 341 of the SFO (including interests or short positions which any such Director was taken or deemed to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

		Number of Shares/Underlying Shares Held			
Name	**Capacity**	**Personal interest**	**Corporate interest**	**Total interest**	**Percentage of total issued share capital** *(note 3)*
Wong Cho Tung	Beneficial owner and interest in controlling corporations	3,098,000	772,500,000 *(note 1)*	775,598,000	45.49%
Yeung Man Ying	Beneficial owner and interest in a controlling corporation	3,418,000	703,675,000 *(note 2)*	707,093,000	41.47%
Zhang Jianping	Beneficial owner	4,864,000	–	4,864,000	0.29%
Wong Hei, Simon	Interest in a controlling corporation	–	1	1 *(note 4)*	0.05%

Notes:

(1) Mr Wong Cho Tung controls more than one-third of the voting power of Info Dynasty. Mr Wong Cho Tung is therefore deemed to be interested in all the 703,675,000 Shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Both Intellipower and Simcom (BVI) are wholly-owned by Mr Wong Cho Tung 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 respectively.

(2) Ms Yeung Man Ying, the spouse of Mr Wong Cho Tung, controls more than one-third of the voting power of Info Dynasty. Ms Yeung Man Ying is therefore deemed to be interested in all the 703,675,000 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 1,704,999,000 Shares as at the Latest Practicable Date.

(4) Mr Wong Hei, Simon, holds 1 share in Info Dynasty which holds all the 703,675,000 Shares in the Company.

All the interests disclosed above represent long position in the Shares and underlying Shares.

Save as disclosed in above paragraphs 2(b) and 3(a) under this section, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to section 341 of the SFO (including interest which any such Director was taken or deemed to have under section 344 of SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(b) Directors' interests in assets of the Company

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Directors' service contracts

(1) None of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

(2) As at the Latest Practicable Date, none of the Directors had any existing or proposed fixed term service contract with the Company or its subsidiaries or associated companies which have more than 12 months to run after the Latest Practicable Date.

(3) As at the Latest Practicable Date, there was no continuous or fixed term Director's service contract with the Company or its subsidiaries or associated companies entered into, commenced, or amended within the Relevant Period.

(4) As at the Latest Practicable Date, none of the Directors had entered into any continuous contracts with the Company or its subsidiaries or associated companies with a notice period of 12 months or more.

(d) Other Directors' interests

(1) Save for the Underwriting Agreement, no material contracts had been entered into by the Underwriter, in which any Director has a material personal interest.

(2) Save as disclosed in the paragraph headed "Information of the Underwriter" of this Appendix IV, as at the Latest Practicable Date, no Director owned or had or during the Relevant Period dealt in, any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Underwriter.

(3) At no time during the Relevant Period was any member of the Group a party to any arrangement to enable the Directors and their associates to acquire benefits by means of the acquisition of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any other body corporate.

(4) None of the Directors was or will be given any benefits as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver.

(5) As at the Latest Practicable Date, none of the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(6) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Underwriting Agreement, the Rights Issue or the Whitewash Waiver or otherwise connected with the Underwriting Agreement, the Rights Issue or Whitewash Waiver.

(7) Mr Zhang Jianping, being the only Director holding Shares and is eligible to vote at the SGM, has indicated his intention to vote for the Whitewash Waiver at the SGM. Other Directors who held Shares as at the Latest Practicable Date, namely Mr Wong Cho Tung and Ms Yeung Man Ying, being persons acting in concert with the Underwriter, will abstain from voting at the SGM.

(e) Other disclosures of interests

(1) As at the Latest Practicable Date, none of the Company or any of its subsidiaries owned or had or during the Relevant Period dealt in, any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Underwriter.

(2) None of the Company, the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company, nor any adviser to the Company, nor any fund managed on a discretionary basis by any fund manager connected with the Company had any interest (or during the Relevant Period, dealt in) in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the Underwriter as at the Latest Practicable Date.

(3) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriter and parties acting in concert with it and other persons that the Rights Shares to be acquired by the Underwriter under the Rights Issue will be transferred, charged or pledged to any other person.

(4) As at the Latest Practicable Date and during the Relevant Period, none of the Shareholders had irrevocably committed itself to vote for or against the Rights Issue and/or the Whitewash Waiver.

(5) As at the Latest Practicable Date and during the Relevant Period, no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by the Underwriter and parties acting in concert with it.

(6) As at the Latest Practicable Date, except for the entering into of the Underwriting Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Underwriter or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue and/or the Whitewash Waiver.

(7) As at the Latest Practicable Date, the Company had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any subsidiaries of the Company were as follows:

(a) Interests in the Company

Position in Shares and underlying Shares

Name	Direct interest	Indirect interest	Percentage of total issued share capital
Info Dynasty *(Note 1)*	703,675,000	–	41.27% *(Note 2)*

Notes:

(1) The relationship between Info Dynasty and Mr Wong Cho Tung and the relationship between Info Dynasty and Ms Yeung Man Ying are disclosed under the paragraph headed "Directors' interests in the Company" above.

(2) Calculation of percentage of total issued share capital is based on the total number of 1,704,999,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed in this paragraph, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than Directors or the chief executive of the Company, who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interests in the subsidiaries of the Company

As at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than Directors or the chief executive of the Company, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiaries of the Company, or any options in respect of such capital.

5. DEALINGS IN SECURITIES

(a) Directors

On 11 June 2012, Ms Tang Rongrong, a Director, disposed of 186,000 Shares at HK$0.44 per Share. Save as disclosed in this paragraph, none of the Directors or their respective associates had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

The Underwriter was incorporated on 9 July 2012 in the BVI. Save as one Share was issued to each of Mr Wong Hei, Simon and Mr Wong Sun on 1 August 2012, and to each of Mr Wong Cho Tung and Ms Yeung Man Ying on 30 August 2012, respectively, none of the Company, the Directors and their respective associates had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Underwriter during the Relevant Period.

(b) The Underwriter and parties acting in concert with it

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it held an aggregate of 775,918,000 Shares representing approximately 45.51% of the existing issued share capital of the Company.

None of the Underwriter or parties acting in concert with it has dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

As at the Latest Practicable Date, save as the holding of 775,918,000 Shares by the Underwriter and parties acting in concert with it disclosed above, none of the Underwriter, its directors and parties acting in concert with it owned held or had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date and during the Relevant Period, there were no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Underwriter or parties acting in concert with it and any other person.

(c) Others

No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is an associate of the Company by virtue of classes (1) to (4) of the definition of associate under the Takeovers Code as at the Latest Practicable Date and during the Relevant Period.

6. INFORMATION OF THE UNDERWRITER

Set out below is the information of the Underwriter and its direct and indirect corporate shareholders as at the Latest Practicable Date:

(a) Shareholding structure of the Underwriter

The Underwriter is 25% owned by Mr Wong Sun, 25% owned by Mr Wong Hei, Simon, 25% owned by Mr Wong Cho Tung and 25% owned by Ms Yeung Man Ying.

(b) Shareholding structure of Info Dynasty*

	Shareholder	No. of shares	Percentage
1	Mr Wong Cho Tung	1,000	49.95%
2	Ms Yeung Man Ying	1,000	49.95%
3	Mr Wong Hei, Simon	1	0.05%
4	Mr Wong Sun	1	0.05%
	Total number of issued shares in Info Dynasty	2,002	100%

* All the shareholders of Info Dynasty are regarded by the Underwriter as parties acting in concert with it.

(c) Shareholding Structure of Intellipower

Intellipower is wholly-owned by Mr Wong Cho Tung, who is deemed to be acting in concert with the Underwriter.

(d) Shareholding structure of Simcom (BVI)

Simcom (BVI) is wholly-owned by Mr Wong Cho Tung, who is deemed to be acting in concert with the Underwriter.

(e) Members of the board of directors of the Underwriter

(i) Mr Wong Cho Tung

(ii) Ms Yeung Man Ying

(iii) Mr Wong Hei, Simon

(iv) Mr Wong Sun

(f) Member of the board of directors of Info Dynasty

(i) Mr Wong Cho Tung

(g) Member of the board of directors of Intellipower

(i) Mr Wong Cho Tung

(h) Member of the board of directors of Simcom (BVI)

(i) Mr Wong Cho Tung

7. PARTICULARS OF THE DIRECTORS

(a) Name and address

Name	Address
Executive Directors	
Ms Yeung Man Ying	House No. 1, Chuang Shi Ji Villa No. 688 QingXi Road Chang Ning District, Shanghai PRC
Mr Wong Cho Tung	House No. 1, Chuang Shi Ji Villa No. 688 QingXi Road Chang Ning District, Shanghai PRC
Mr Wong Hei, Simon	House No. 1, Chuang Shi Ji Villa No. 688 QingXi Road Chang Ning District, Shanghai PRC
Mr Zhang Jianping	No. 19, Lane 8988, Zhongchun Road Shanghai, PRC
Ms Tang Rongrong	Room 302, No. 17, Lane 1001 Xianxia Road, Shanghai, PRC
Mr Chan Tat Wing, Richard	Flat A, 2/F., Tower 32 Parc Oasis Yau Yat Chuen, Kowloon, Hong Kong

Independent non-executive Directors

Mr Liu Hing Hung	Flat H, 3/F., Block 10, Site 9 Whampoa Garden, Hung Hom Kowloon, Hong Kong
Mr Xie Linzhen	Apt. 302, Bld. 110, Cheng Ze Yuan Peking University, Beijing, PRC
Mr Dong Yunting	7-1105, No. 58 Yuan Qing Ta Si Road Fengtai District, Beijing, PRC

(b) Qualification and positions held

Executive Directors

Ms Yeung Man Ying, aged 67, is the chairman and an executive Director and a director of Sunrise Electronic Industry Limited. Ms Yeung is responsible for developing direction and strategies of the Group. Ms Yeung together with her spouse, Mr Wong Cho Tung, an executive Director, was the founder of the Company. Over the years, Ms Yeung and Mr Wong Cho Tung had established a number of companies which engaged in the electronics and telecommunications business including Shanghai Sunrise Simcom Ltd. ("**Shanghai Sunrise Simcom**"), one of the Group's main operating subsidiaries which was established in November 1993. Ms Yeung has over 20 years of operational and management experience in the electronics and telecommunications industry. Ms Yeung lectured at the Electrical Department of the South China University of Technology in 1977 and has been a guest professor at Tongji University since 2003. She graduated in 1968 from the Beijing University of Aeronautics and Astronautics, specialising in electrical engineering. Besides being the spouse of Mr Wong Cho Tung, Ms Yeung is the mother of Mr Wong Hei, Simon, the president and an executive Director and Mr Wong Sun.

Mr Wong Cho Tung, aged 68, is an executive Director. Mr Wong is responsible for the Group's developing direction, strategies, corporate planning and macro corporate management. He is the chairperson of Shanghai SIM Technology Limited ("**Shanghai SIM Technology**"), a director of Shanghai Sunrise Simcom and SIM Technology HK Limited. He is also the director of Info Dynasty, a controlling shareholder of the Company. Mr Wong Cho Tung together with his spouse, Ms Yeung Man Ying, an executive Director, was the founder of the Company. Mr Wong graduated in 1968 from the Beijing University of Aeronautics and Astronautics, specializing in electrical engineering. He has decades of experience in the electrical, electronics and telecommunications industry.

Mr Wong Hei, Simon, aged 40, is the president and an executive Director of the Company, is responsible for developing direction, strategies and new business development planning of the Group. He is a son of Mr Wong Cho Tung and Ms Yeung Man Ying, each an executive Director and the younger brother of Mr Wong Sun. He has over 10 years of experience in the electronics and telecommunications industry and extensive experience in investment and business management. He worked at the headquarters of National Semiconductor in the Silicon Valley in 1995. He joined the Group in February 2000. He obtained a bachelor's degree in science from Boston University in 1995, specializing in electrical engineering.

Mr Zhang Jianping, aged 47, is an executive Director and the chief executive officer of the Group. He is responsible for the overall management of the Group's product and business planning, including management of product definition, sales, procurement, production and delivery. He is also a director of Shanghai Sunrise Simcom, Shanghai Simcom Limited ("**Shanghai Simcom**") and Shanghai SIM Technology. Mr Zhang joined Shanghai Sunrise Simcom in 1996 and was responsible for the establishment of Shanghai Simcom in 2002. Mr Zhang has over 26 years of technology and management experience in the electronics and telecommunication industry. Prior to joining the Group, Mr Zhang was engaged in research with No. 14 Research Institute of the Ministry of Electronics Industry in China. Mr Zhang has also been awarded a third class award for national technological improvements by the State in 1990 and the first and second class awards for technological improvements by the Ministry of Electronics in 1989 and 1992 respectively. In 2004, he was named as 上海市優秀專業技術人才 (Shanghai Outstanding Technology Calibre*) by the Shanghai Municipal Government. Mr Zhang obtained a bachelor's degree in engineering from Shanghai Jiao Tong University in 1986 and a master's degree in business administration from China Europe International Business School in 2002.

Ms Tang Rongrong, aged 59, is an executive Director, vice president of the business operation headquarter (located in Shanghai, China) of the Group and a director of Shanghai Sunrise Simcom and Shanghai SIM Technology. Ms Tang has nearly 20 years of experience in human resources management, administration and corporate operation. Prior to joining the Group in 1995, Ms Tang was a physician of 江西省贛州市第一人民醫院 (Jiangxi Ganzhou First People's Hospital*) and the head of technology and deputy chief physician of 南昌市計劃生育指導所 (Nanchang Birth Planning Institute*). Since then, Ms Tang has served as the manager and deputy general manager of the personnel and administration department of Shanghai Sunrise Simcom. Ms Tang graduated from 贛南醫學專科學校 (Gannan Medical College*) in 1978.

Mr Chan Tat Wing, Richard, aged 56, is an executive Director and the chief finance officer of the Group. Mr Chan was qualified as a certified general accountant (CGA) in Canada in 1988. He is a member of the Certified General

Accountants Association of Canada. Mr Chan has more than 15 years of financial management experience and has worked as, amongst other positions, the chief finance officer of E-Mice Solutions (HK) Limited and Chinatron Group Holdings Limited, the financial controller of SmarTone Telecommunications Holdings Limited and the finance director of EMI (Hong Kong) Ltd and had also held a financial management position in Merrell Dow Pharmaceuticals (Canada) Inc. Mr Chan obtained a bachelor's degree in arts from York University, Canada in 1979 and a bachelor's degree in administrative studies with honours from the same university in 1982. Mr Chan joined SIM Technology (HK) Limited ("**SIM Technology (HK)**") in July 2004.

Independent non-executive Directors

Mr Liu Hing Hung, aged 49, is an independent non-executive Director, the chairman of the Audit Committee of the Company and the chairman of the Remuneration Committee (appointed on 10 April 2012). Mr Liu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong and also a member of the Society of Chinese Accountants and Auditors. Mr Liu now runs a professional accountancy firm in Hong Kong and has over ten years of experience in accounting, taxation, auditing and corporate finance. Mr Liu is currently an independent non-executive director of Emperor International Holdings Limited, a company listed on the main board of the Stock Exchange. Mr Liu was appointed as an independent non-executive Director in September 2008.

Mr Xie Linzhen, aged 72, is an independent non-executive Director. He graduated in 1963 from the Peking University of Physics and is a Professor of Electronics Department of Peking University. Mr Xie has acted as the deputy director of the Telecommunication System and Equipment Department in the Ministry of Electronics Industry, the PRC, the deputy director of the IT Product Department in the Ministry of Information Industry, PRC and the standing member of Communication Science and Technology Committee of Ministry of Industry and Information Technology, PRC ("**MIIT**"). Mr Xie is currently the vice president of China Mobile Communication Association, the chairman of China Domestic Handset Summit and the member of Electronic Science and Technology Committee of MIIT and the executive director and chief scientist of CECT-Chinacomm Communications Co, Ltd. Mr Xie is also an independent director and audit committee member of UTStarcom, Inc., the securities of which are listed on NASDAQ of the United States of America. Mr Xie was an independent director of Funtalk China Holdings Limited, the securities of which are listed on NASDAQ of the United States of America (privatized in August 2011). Mr Xie was appointed as an independent non-executive Director in January 2009.

Mr Dong Yunting, aged 67, is an independent non-executive Director. He graduated from the Department of Mathematics of Hangzhou University (杭州大學) (now part of Zhejiang University) in 1967 and received a master of science in computer science at Sun Yat-sen University in 1982. Since 1981, Mr Dong had been teaching in Hangzhou Dianzi University (杭州電子科技大學) and served as the Head of System Engineering Teaching and Research Section (系統工程教研室主任) in 1986, Head of the Department of Management Engineering (管理工程系主任) in 1988, Dean of School of Business Administration (工商管理學院院長) and vice-president of Hangzhou Dianzi University (杭州電子科技大學) in 1992. From 1989 to 1990, he had been engaged in research work at the University of Toronto. Mr Dong was appointed a professor by the Ministry of Mechanical and Electronic Industry (機械電子工業部) of the People's Republic of China in 1993. In February 1997, Mr Dong was appointed as the president of China Electronic Industry Development and Planning Institute (中國電子工業發展規劃研究院院長). In October 1997, he was appointed the head (leading role) of the Policy and Law Research Office of the Ministry of Electronic Industry (電子工業部政策法規研究室主任(正司級)) of the People's Republic of China in 1997. From 1998 to 2000, he served as the president of China Electronic Planning Institute (電子規劃院院長). Mr Dong was appraised as a doctoral post graduate students tutor (博士研究生指導教師) by University of Electronic Science and Technology of China (電子科技大學) in 2004. He is currently the chairman of China Electronics Enterprises Association (中國電子企業協會) and also a managing vice chairman (常務副理事長) and legal representative of China Association of Electronics Equipment For Technology Development (中國電子裝備技術開發協會). He had been an independent director of Nantong Fujitsu Microelectronics Co., Ltd. (南通富士通微電子股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 002156, between December 2003 and December 2009. He is currently an independent director of Nantian Electronics Information Corp, Ltd. (雲南南天電子信息產業股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 000948, an independent director of SuperMap Software Co., Ltd. (北京超圖軟件股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 300036, and an independent director of Tianshui Huatian Technology Co., Ltd. (天水華天科技股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code of 002185. Save as disclosed above, Mr Dong had not held any other directorship in other listed companies in the past three years. He was appointed as an independent non-executive Director in June 2011.

Name	**Address**
Senior Management	
Ms Wong Tik	Flat F, 48/F, Block 5, Banyan Garden 863 Lai Chi Kok Road Cheung Sha Wan, Hong Kong

Ms Wong Tik, *CPA*, aged 40, is the company secretary and finance manager of SIM Technology (HK). Ms Wong joined SIM Technology (HK) on 1 April 2005 and is responsible for the financial reporting of the Group. She was appointed as the Company Secretary of the Company on 29 February 2008. She is an associate member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of experience in the field of accounting. Ms Wong obtained the Honours Diploma in Accounting from Hong Kong Shue Yan College in 1995.

8. MARKET PRICES

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last trading day on which trading in Shares took place in each of the six calendar months immediately preceding the date of the Announcement; (ii) 5 October 2012, being the Last Trading Date; and (iii) the Latest Practicable Date.

Date	**Closing price of the existing shares**
30 April 2012	HK$0.530
31 May 2012	HK$0.470
29 June 2012	HK$0.425
31 July 2012	HK$0.345
31 August 2012	HK$0.370
28 September 2012	HK$0.430
Last Trading Date	HK$0.450
Latest Practicable Date	HK$0.360

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the Relevant Period were HK$0.580 on 19 April 2012 and 20 April 2012, and HK$0.325 on 26 July 2012, 1 August 2012 and 2 August 2012 respectively.

9. CORPORATE INFORMATION

Principal place of business in Hong Kong	Unit 2908, 29th Floor, 248 Queen’s Road East, Wanchai, Hong Kong
Company secretary	Ms Wong Tik, *CPA*
Authorised representative	Mr Chan Tat Wing, Richard Ms Wong Tik

Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Financial adviser to the Company	Somerley Limited 20th Floor Aon China Building 29 Queen's Road Central Hong Kong
Legal advisers to the Company in relation to the Rights Issue	*As to Hong Kong law* Hogan Lovells 11th Floor One Pacific Place 88 Queensway Hong Kong *As to Bermuda law* Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35th Floor One Pacific Place 88 Queensway Hong Kong
Property Valuer	Vigers Appraisal & Consulting Limited 10th Floor, The Grande Building 398 Kwun Tong Road Kowloon Hong Kong

Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Bank of Communications 508 Jiangsu Road, Shanghai PRC
	Shanghai Pudong Development Bank 18 Jiafeng Road Waigaoqiao FTZ, Shanghai PRC

10. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice, which is contained in this circular:

Altus Capital Limited	A corporation licensed under the SFO to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Vigers Appraisal & Consulting Limited	Property Valuer

As at the Latest Practicable Date, none of Altus Capital Limited, Deloitte Touche Tohmatsu and Vigers Appraisal & Consulting Limited:

(i) had any interest, either direct or indirect, in any assets which have been, since 31 December 2011, the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Altus Capital Limited, Deloitte Touche Tohmatsu and Vigers Appraisal & Consutling Limited has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its respective name, in the form and context.

11. LITIGATION

None of the member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

12. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group and are or may be material:

(a) the Underwriting Agreement;

(b) the Option Undertakings; and

(c) the underwriting agreement dated 18 April 2011 between the Company, for itself and on behalf of Info Dynasty, and the underwriting in connection with the TDR issue.

13. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses are estimated to be approximately HK$5.5 million and will be payable by the Company.

14. GENERAL

(a) The registered office of the Underwriter is at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The correspondence address of the Underwriter is Rooms 1002-1004, 10/F, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

(b) The registered office of Info Dynasty is at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The correspondence address of Info Dynasty is Rooms 1002-1004, 10/F, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

(c) The registered office of Intellipower is at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The correspondence address of Intellipower is Rooms 1002-1004, 10/F, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

(d) The registered office of Simcom (BVI) is at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The correspondence address of Simcom (BVI) is Rooms 1002-1004, 10/F, Tung Chiu Commercial Centre, 193 Lockhart Road, Wanchai, Hong Kong.

(e) The English text of this document shall prevail over the Chinese text for the purposes of interpretation.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to any including the date of the SGM (i) at the principal place of business of the Company in Hong Kong at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong; (ii) on the website of the SFC at www.sfc.hk; and (iii) on the website of the Company at www.sim.com:

(a) this circular;

(b) the memorandum of association and bye-laws of the Company and the memorandum and articles of association of the Underwriter;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular;

(d) the letter from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 54 of this circular;

(e) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group in Appendix II of this circular;

(f) the valuation report of the Group from Vigers Appraisal & Consulting Limited in respect of the property interest of the Group in Appendix III of this circular;

(g) the written consents referred to under the section headed "Experts" in this appendix;

(h) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(i) the annual reports of the Company for each of the two years ended 31 December 2010 and 2011; and

(j) the interim report of the Company for the six months ended 30 June 2012.

SIM Technology Group Limited
晨訊科技集團有限公司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 2000)

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of SIM Technology Group Limited ("**Company**") will be held on Monday, 19 November 2012 at 9:30 am at 29A, Admiralty Centre I, 18 Harcourt Road, Hong Kong, for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution of the Company:

"**THAT** subject to the Executive (as defined in the circular dated 26 October 2012 (the "**Circular**")) granting to the Underwriter (as defined in the Circular) the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition attached to the Whitewash Waiver imposed by the Executive, the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers and Share Repurchases ("**Takeovers Code**") waiving any obligation on the part of the Underwriter to make a mandatory general offer to the shareholders of the Company to acquire shares in the Company other than those already owned by the Underwriter and parties acting in concert with it which would otherwise arise under Rule 26.1 of the Takeovers Code as a result of any allotment and issue pursuant to application(s) made by parties acting in concert with the Underwriter and/or fulfillment of the Underwriter's underwriting obligations under the Underwriting Agreement (as defined in the Circular), the terms of which are set out in a circular dated 26 October 2012 ("**Circular**"), a copy of which has been produced to the Meeting marked "A" and signed by the chairman of the Meeting for the purposes of identification, be and is hereby approved."

By order of the board of directors of
SIM Technology Group Limited
Yeung Man Ying
Chairman

Hong Kong, 26 October 2012

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or if he is the holder of two or more shares more than one proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. ***Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting should he so wish.***

* *For identification purposes only*

2. In order to be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a certified copy of that authority must be lodged with the principal place of business of the Company in Hong Kong at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The register of members of the Company will be closed from ***Wednesday, 14 November 2012 to Monday, 19 November 2012***, both days inclusive, during which period no transfer of shares will be effected. In order to determine entitlement to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Share Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on ***Tuesday, 13 November 2012***.

The Directors as at the date hereof are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Wong Hei, Simon, Mr Zhang Jianping, Ms Tang Rongrong and Mr Chan Tat Wing, Richard as executive Directors, and Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting as independent non-executive Directors.