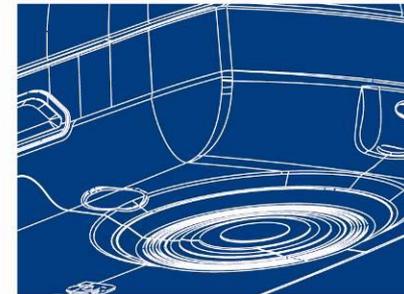
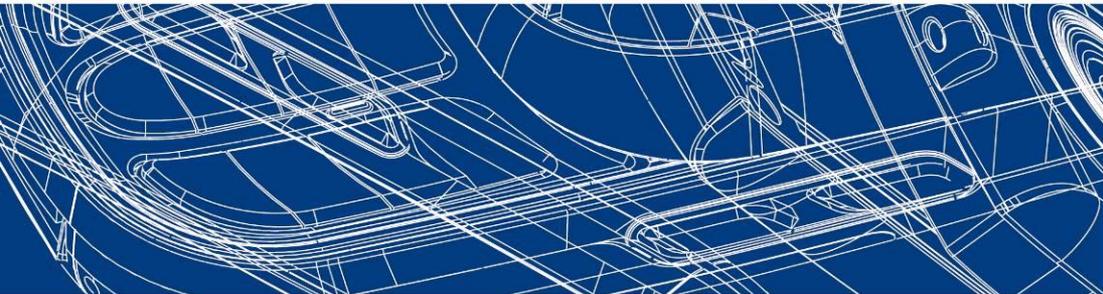


SIM Technology Group Limited

2017 1st Half Results Announcement

August 24, 2017



This presentation includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that SIM Technology expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements.

SIM Technology's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market share, competition, environmental risks, changes in legal, financial and regulatory frameworks, government policies, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control.

In addition, SIM Technology makes these forward-looking statements as of today and undertakes no obligation to update these statements.

- **1H-2017 Financial Highlights Richard Chan**
- **1H-2017 Business Highlights Richard Chan**

1H-2017 Financial Highlights

| (HK\$M) | 1H-2017 | 1H-2016 | % YoY Change |
|---|-----------|-----------|--------------|
| Revenue | 1,429 | 1,326 | +7.8% |
| Gross Profit | 164 | 201 | -18.3% |
| Gross profit as % of Revenue | 11.5% | 15.2% | |
| Profit for the period | 36 | 31 | +15.1% |
| Profit as % of Revenue | 2.5% | 2.3% | |
| Basic earnings per share (HK cents) | 1.4 cents | 1.2 cents | +16.7% |
| Interim Dividend (HK cents) | Nil | Nil | |

Revenue by Business Segment

| | <u>1H-2017</u> | | <u>1H-2016</u> | | % YoY Change |
|--|-----------------|----------------------------|-----------------|----------------------------|---------------|
| | Revenue (HK\$M) | % of core business revenue | Revenue (HK\$M) | % of core business revenue | |
| Handsets & Solutions | 516 | 37.9% | 687 | 56.6% | -24.9% |
| Full handsets (ODM) | 451 | 33.1% | 543 | 44.7% | -16.9% |
| Handset solutions, royalties and intelligent terminals | 65 | 4.8% | 144 | 11.9% | -54.9% |
| Wireless Communication Modules | 655 | 48.1% | 331 | 27.3% | +97.9% |
| Internet of Things Business | 146 | 10.7% | 122 | 10.0% | +19.7% |
| Intelligent Manufacturing Business | 45 | 3.3% | 73 | 6.1% | -38.4% |
| Revenue of Core Business | 1,362 | 100% | 1,213 | 100% | +12.3% |
| Properties Development | 67 | | 113 | | -40.7% |
| Total Revenue | 1,429 | | 1,326 | | +7.8% |

Gross Profit by Business Segment

| (HK\$M) | <u>1H-2017</u> | | <u>1H-2016</u> | |
|--|----------------|-------------------------|----------------|-------------------------|
| | Gross Profit | % of respective revenue | Gross Profit | % of respective revenue |
| Handsets, Solutions and Intelligent Terminals | 57 | 11.1% | 87 | 12.7% |
| Wireless Communication Modules | 66 | 10.0% | 50 | 15.0% |
| Internet of Things Business | 18 | 12.3% | 21 | 17.4% |
| Intelligent Manufacturing Business | 15 | 34.9% | 29 | 39.0% |
| Core Business GP | 156 | 11.5% | 187 | 15.4% |
| Residential Properties | 8 | 12.5% | 14 | 12.9% |
| Total GP | 164 | 11.5% | 201 | 15.2% |

| | <u>1H-2017</u> | | <u>1H-2016</u> | | % YoY Change |
|--------------------------|----------------|--------------|----------------|--------------|---------------|
| | HK\$M | % of revenue | HK\$M | % of revenue | |
| Research & development | 39 | 2.8% | 41 | 3.1% | -4.0% |
| Selling & distribution | 64 | 4.5% | 65 | 4.9% | -1.4% |
| Administrative | 59 | 4.1% | 67 | 5.1% | -12.5% |
| Total operating expenses | 162 | 11.4% | 173 | 13.1% | -6.3% |

Cash Flow Statement Highlights

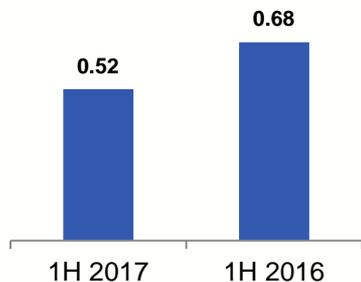
| (HK\$M) | <u>1H-2017</u> |
|---|-----------------------|
| Net Cash from operating activities | 152 |
| <i>Capital expenditure</i> | (11) |
| <i>Development costs</i> | (110) |
| <i>Net cash inflow from disposal of an associate</i> | 10 |
| <i>Net decrease in bank borrowings</i> | (107) |
| <i>Net decrease in entrusted loan receivables</i> | 46 |
| <i>Interest paid</i> | (3) |
| <i>Others</i> | 3 |
| Net cash outflow | <u>(20)</u> |
| Cash balances at beginning period | 326 |
| Cash / Bank balances at 30 June 2017 <i>(including pledged bank deposits)</i> | <u>306</u> |
| Gearing ratio (bank borrowings / total assets) | <u>5.5%</u> |

| | 1H-2017 | Yr-2016 | % Change |
|--|---------|---------|----------|
| Current ratio (times) | 1.8 | 1.9 | -5.3% |
| Inventory turnover ratio [#] (days) | 119 | 119 | 0% |
| Trade and notes receivables turnover ratio [#] (days) | 39 | 40 | -2.5% |
| Trade and notes payables turnover ratio [#] (days) | 60 | 88 | -31.8% |
| # for the core business | | | |

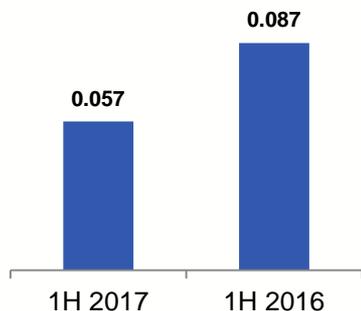
2017 1H Business Highlights

- * **Handsets and Intelligent Terminals Business and Prospects**
- * **Wireless Communication Modules Business and Prospects**
- * **IOT Business and Prospects**
- * **Intelligent Manufacturing Business and Prospects**
- * **Property Development Business**

Handsets & Intelligent Terminal Sales



Handsets & Intelligent Terminal Gross Profits



Sales & GP: HK\$ Billion

1H2017 : GP% 11.1%

1H2016 : GP% 12.7%

Handsets and Intelligent Terminal Sales, Gross Profits & GP %

Sales Volume: decreased significantly as compared to 1H-2016 due to the reduction of scale on mid-to-low-end products with low GP margin

Revenue : decreased 24.9% over 1H-2016 due to unexpected low shipments of several products along with many components of the upstream supply chain experienced serious shortages

Gross Profits: expansion of new product & business lines not yet overcome the decrease in mid-to-low-end consumer handsets business, leading to a decline in sales and gross margin

GP%: 11.1% vs 12.7% (1H-2016)

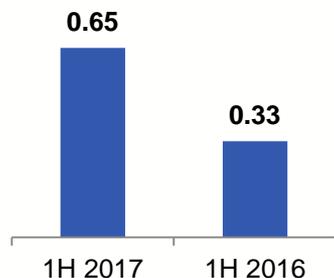
Overall Business Strategy and Performance

- Continued to reduce the scale of mid-to-low-end with low GP margin products to minimize business risk along with shifting our customer base further towards providing differentiated consumer handsets and industrial terminal products.
- Continued to invest in various specialized IOT technology (e.g. NB-IOT) as to capture the enormous market demand for terminals.
- In accordance with our oversea market expansion plan, continued to customise consumer and industry terminal products for Japanese operators and overseas customers in the US and Europe, expecting to bring contributions to revenue in the second half of 2017 and the following years.

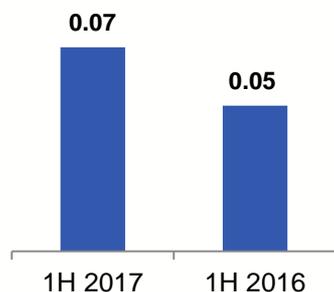
- Enormous opportunities have gradually emerged in the IOT market segments such as mobile Point of Sale (“POS”), intelligent logistics, scan terminals, digital walkie talkies, Internet of Vehicles (“IOV”) terminals,
- The Group will continue to focus on high-end differentiated consumer handset products and increase investment in industrial terminals. The Group will also capture the opportunities available in high-end consumer handset ODM, so as to achieve economies of scale, maintain competitiveness of our supply chain and better manage operating risks.
- The Group still regards overseas ODM opportunities in niche markets as the most important priority, and will further expand its sales force in overseas markets such as North America, Europe and Japan.
- Within the domestic market, apart from providing terminals to customers, the Group has further expanded its product portfolio and services as to provide better service to our customers and markets, thereby enhancing our influence in specific market segments

1H 2017 Wireless Modules Business Performance

Wireless Modules Sales



Wireless Modules Gross Profits



Sales & GP: HK\$ Billion

1H2017 : GP% 10.0%

1H2016 : GP% 15.0%

Wireless Modules Sales Volume, Revenue, Gross Profits & GP %

Sales Volume: recorded more than 205% growth in overall shipment volume

Revenue : recorded over 97% growth in overall revenue, attributable to the fast growth of 4G products and the 2G product applications which captured the largest proportion in the domestic bike sharing market

Gross Profits: over 32% growth over 1H-2016 in GP but dropped in GP% due to large volume of the shipment of 2G product applications with lower ASP and GP% in the domestic bike sharing market

GP%: 10.0% vs 15.0% (1H-2016)

Overall Business Performance

- sales of 2G products accounted for larger shipment volume including domestic bike sharing, the Group's SIMCOM brand captured the largest portion of the entire bike sharing market through supporting its three largest customers
- Benefiting from SIMCOM's successful portfolio in 4G high-end products and its many certifications from overseas' operators, the Group has secured many overseas projects which lay a solid foundation for the Group to bring its products to customers.

- committed to shift from the **manufacturing industry** to the **information technology services industry** and transform itself from a **product-oriented manufacturer** to a **service-oriented service provider**.
- China has actively entered the IOT era, as both network infrastructure and accumulated technology of terminal products have reached a new stage, which has laid a foundation for the development of **IOT applications**.
- Compared to China, Europe has mainly been affected by the slow economic development. Elsewhere, several major operators in the US and Japan have very proactively promoted 4G services. The Group will continue to expand its strategic partnership with operators across several countries around the world.
- the Group will strive to preserve its top global position in terms of market share. For the 4G products, the Group will focus on achieving advances in some of the new high-end application areas, develop more new technologies and launch new high-end products to meet the demand in the fast-expanding global **IOT market**

Vending Machine Business

- The Group has adjusted the development roadmap of the cloud-based automatic vending machine business to transform into an integrated service platform for automatic vending machine operators and beverage manufacturers
- During the reporting period, the Group added nine sub-depots across China, resulting in an increase in turnover from the wholesale and sales of beverages. The new sub-depot business in different regions has also led to a rise in labour and storage costs. Consequently, higher POS fee and new sub-depot business fee has also caused the overall gross profit margin to drop. The Group will coordinate its sub-depot business across the country and to reduce unprofitable sub-depots in the second half in order to balance related overall cost.
- Besides adding various online payment functions through WeChat Pay and Alipay equipping these machines, the Group will upgrade old vending machines for vending machine operators which will bring more customer resources to our back-end systems. Thus enabling us to form an integrated service platform to support vending machine operators and beverages manufacturers.

Cloud Computing and Big Data Service Platform Businesses

- The Group will continue to expand the application of cloud computing big data service platform to support development of its own smart home and **elderly care service systems, health monitoring systems and vehicle security systems**, and promote these systems in both the domestic and overseas markets.

- In 2017-1H, the Group continued to actively develop its intelligent manufacturing business, increased investment and continued its efforts to advance three core technologies and develop more intelligent equipment product
- With the de-leveraging policy in China, manufacturers encountered difficulties in financing capital projects along with the intensive competition in the traditional 3C industry, the Group recorded a downward trend for the short term. Besides, several automated companies acquired by the Group two years ago turning from profit to loss has also seriously affected the overall results of this business segment.
- Group's dedicated efforts during the past few years, the intelligent manufacturing team has grown into a professional unit integrating R&D, manufacturing, sales and after-sales functions. The team has delivered an outstanding performance in terms of technical capability, product industry roadmap and expansion of our customer base, thereby forming a solid foundation for the robust growth of the business in the future
- Management expects that manufacturing business in China is beginning a wave of intelligent robotic transformation and there is huge growth potential in demand at the advent of the intelligent manufacturing and the AI era. Nonetheless, the development of the new intelligent manufacturing business takes time and the price competition in China is set to become more severe.
- The Group will further advance the development of core technologies and expansion of both domestic and overseas markets, the Group is confident that its intelligent manufacturing business will realise satisfactory growth in the coming few years.

Property Development Business (Shenyang(瀋陽) & Taizhou(泰州))

Shenyang City

As at 30 June 2017, “The Riverside Country” (晨興·翰林水郡), in Shenyang City, the PRC, has a total of 1,842 residential units in all its four phases, of which 1,461 units had been sold.

Taizhou City

As at 30 June 2017, “Seven River in Sweet” (七里香溪), in Taizhou City, the PRC, has a total of 757 residential units and 22 commercial units completed in all its two phases, of which 716 units and 22 units had been sold respectively.

The sales of properties recognised for 1H-2017 was amounted to HK\$67.4 million (2016: HK\$112.5 million) with gross profit margin of 12.5% (2016: 12.9%).

The management has confidence that its high-end consumer handset, industrial application terminal ODM and wireless module businesses will deliver strong growth momentum. As it expands its scope of business, this momentum together with the growth driver created by the new businesses (IOT business and intelligent manufacturing business) positions the Group to continuously and steadily grow in the coming years

- Thank You -