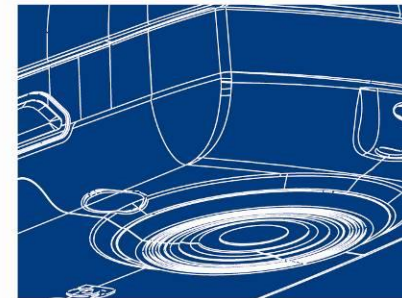
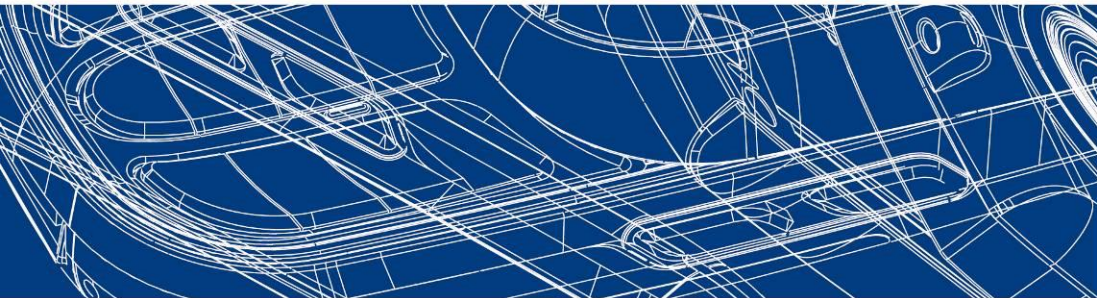


SIM Technology Group

2017 Annual Results Announcement

March 22, 2018



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.

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

2017 Financial Highlights

2017 Year Financial Results Highlights

(HK\$M)	2017	2016	% YoY Change
Revenue	3,259	2,724	+19.6%
Gross Profit	395	402	-1.7%
Gross profit as % of Revenue	12.1%	14.7%	
Profit for the year	112	77	+45.5%
Basic Earnings per share (HK cents)	4.36 cents	3.02 cents	+44.4%
Final dividend declared per share* (HK cents)	1.6 cents	1 cent	+60.0%

* subject to the shareholders' approval at the annual general meeting

Revenue by Business Segment

	<u>2017</u>		<u>2016</u>		% YoY Change
	Revenue (HK\$M)	% of core business revenue	Revenue (HK\$M)	% of core business revenue	
Handsets & Internet of Things (IOT) Terminals Business	1,077	36.5%	1,271	50.2%	-15.3%
Full handsets (ODM)	779	26.4%	930	36.7%	-16.2%
Solutions and IOT terminals	298	10.1%	341	13.5%	-12.6%
Wireless Communication Modules Business	1,455	49.3%	815	32.2%	+78.5%
IOT System and Online-to-Offline (O2O) Business	319	10.8%	302	11.9%	+5.6%
Intelligent Manufacturing Business	102	3.4%	144	5.7%	-29.2%
Revenue of Core Business	2,953	100%	2,532	100%	+16.6%
Properties Development	306		192		+59.4%
Total Revenue	3,259		2,724		+19.6%

Gross Profit by Business Segment

(HK\$M)	<u>2017</u>		<u>2016</u>	
	Gross Profit	% of respective revenue	Gross Profit	% of respective revenue
Handsets & IOT Terminals Business	136	12.7%	158	12.4%
Wireless Communication Modules Business	128	8.8%	119	14.5%
IOT System and O2O Business	40	12.6%	46	15.2%
Intelligent Manufacturing Business	39	38.7%	56	39.1%
Core Business Gross Profit	343	11.6%	379	15.0%
Residential Properties	52	16.9%	23	12.1%
Total Gross Profit	395	12.1%	402	14.7%

	<u>2017</u>		<u>2016</u>		% YoY Change
	HK\$M	% of revenue	HK\$M	% of revenue	
Research & development	91	2.8%	102	3.8%	-10.8%
Selling & distribution	144	4.4%	136	5.0%	+5.9%
Administrative	122	3.7%	125	4.6%	-2.4%
Total operating expenses	357	11.0%	363	13.4%	-1.7%

Cash Flow Statement Highlights

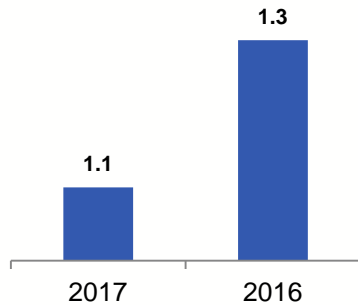
(HK\$M)	2017
Net Cash from operation	380
<i>Capital expenditure</i>	(54)
<i>Development costs</i>	(201)
<i>Net decrease in bank borrowings</i>	(237)
<i>Net decrease in entrusted loan receivables</i>	77
<i>Increase in other liabilities</i>	141
<i>Dividend paid</i>	(26)
<i>Repayment to non-controlling shareholders of subsidiaries</i>	(36)
<i>Deposits received for disposal of an subsidiaries</i>	62
<i>Consideration received from disposal of an associate</i>	10
<i>Others</i>	5
Net cash inflow	121
Cash balances at beginning period	326
Cash & Bank balances at 31 December 2017 <i>(Including pledged bank deposits)</i>	447
Gearing ratio (bank borrowings / total assets)	2.3%

	2017	2016	% Change
Current ratio (times)	1.9	1.9	0%
Inventory turnover period [#] (days)	105	119	-11.8%
Trade and notes receivables turnover period [#] (days)	37	40	-7.5%
Trade and notes payables turnover period [#] (days)	48	88	-45.5%
# for the core business			

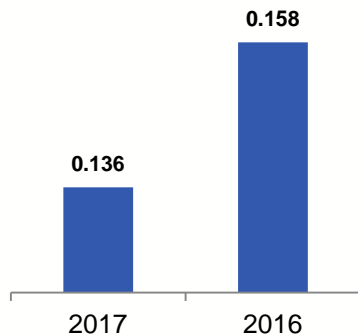
2017 Business Highlights

- * Handsets and IOT Terminals Business and Prospects**
- * Wireless Communication Modules Business and Prospects**
- * IOT System & O2O Business and Prospects**
- * Intelligent Manufacturing Business and Prospects**
- * Property Development Business**

Handsets & IOT Terminal Sales



Handsets & IOT Terminal Gross Profits



Sales & GP: HK\$ Billion

2017 : GP% 12.7%

2016 : GP% 12.4%

Handsets and IOT Terminal Sales, Gross Profits & GP %

Sales Volume: decreased 58% over 2016 due to the reduction of scale on consumer handset with low GP margin

Revenue : majority of revenue derived from industrial/IOT products with higher GP margin, along with many components of the upstream supply chain were in serious shortages, driving handset revenue decreased 15% over 2016

Gross Profits: dropped in GP profits due to unexpected low shipment of industrial/IOT products while GP% retained at similar level to 2016 was due to higher ASP and gross margin of the industrial/IOT products

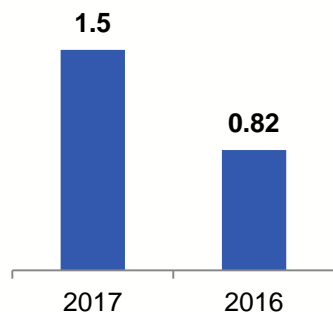
GP%: 12.7% vs 12.4% (2016)

Overall Business Strategy and Performance

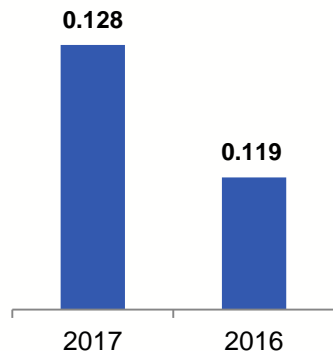
- Continued to reduce the scale of mid-to-low-end with low GP margin products to minimize business risk.
- Continued to retained high-end ODM business and vigorously investing in 5G and various specialized IOT technology (e.g. NB-IOT) as to capture the enormous market demand for IOT terminals.
- In regard to our oversea market expansion plan, continued to customise high-end and IOT products for Japanese operators and overseas customers in the US and Europe, expecting to bring significant contributions to revenue in future years.

- With enormous industrial / IOT market growth potential and SIM's first-mover advantages, SIM will continue to expand its industrial / IOT terminal business and will bring massive contributions to the Group's profit
- The Group will increase the investments in R&D, and actively plan and develop terminals or specialized modules that suit the markets. Particularly, product areas such as scan, mobile Point of Sale (POS), logistics and Internet of Vehicles (IOV) terminals
- Apart from continuously prospecting for new IOT terminal customers in China, the Group will continue targeting mainly the developed regions such as Europe, America and Japan as its main overseas expansion directions
- As to support the expansion of the handset / IOT segment business, the Group will build an operations center in Dongguan and a factory to upgrade industrial / IOT terminals. The management is confident that the Group can stand out amidst the keen competition of the IOT terminals market.

Wireless Modules Sales



Wireless Modules Gross Profits



Sales & GP: HK\$ Billion

2017 : GP% 8.8%
2016 : GP% 14.5%

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

- Sales Volume:** recorded significant growth in overall shipment volume
- Revenue :** recorded over 80% 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:** 8% growth over 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%:** 8.8% vs 14.5% (2016)

Overall Business Performance

- Sales of 2G products accounted for more than one half of the 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**.
- To bring in new impetus in module business for maintaining a global leading position, the Group has concluded an important agreement with Sunsea Telecommunication Co., Ltd., to dispose the Group's wireless module business (for details, please refer to the circular dated 18 January 2018).
- After completion of the transaction, the business nature of the wireless communication modules business will switch from the product-orientated (having its own brand – OBM with independent R&D and marketing team) to service-orientated for EMS providers (responsible for procurement, logistics to manufacturing).

IOT System & O2O

This business sector comprises two segments: first is the provision of various types of “cloud” system solutions with a back-end software system as the core; the second is the provision of an online-to-offline service (O2O) cloud trading platform to vending machine operators. (This business sector does not include the IOT terminals business.)

Vending Machine Business

- Overall profit of this business sector decreased over last year - revenue increased by 5.5% while gross margin was 12.6%, a significant decline as compared to 2016 – Mainly due to the operation of some sub-depots has not reached a break-even point while the necessary wages, warehousing and logistics expenses were still incurred, which dragged down the profitability of this business segment
- Group has adjusted its focus from originally asset-heavy operation mode to asset-light Online-to-Offline service platform for automatic vending machine operator and beverages manufacturer.

Cloud Computing and Big Data Service Platform Businesses

- The Group has developed mature system solutions encompassing intelligent elderly care service systems, health monitoring systems, vending machine operation services and vehicle anti-theft management systems. However, low sales revenues were recorded for these solutions in 2017 due to the marketing and sales strategies have yet launched.

- In 2017, 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 Business (Shenyang(瀋陽) & Taizhou(泰州))

Shenyang City

“The Riverside Country”（晨興·翰林水郡），has a total of 1,842 residential units in four phases, of which 1,680 units had been sold.

Taizhou City

As at 31 December 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 736 units and 22 units had been sold respectively.

Revenue : HK\$306.4 million (2016: 192.4 million)

GP% : 16.9% (2016: 12.1%)

The management believes the development in the past year has proved that the new development directions and strategies of the Group are correct. The completion of business transformation achieved initial results that laid the foundation for the sustainable development. The management expects that new businesses will hurl the Group's development to new heights again in the next few years.

- Thank You -