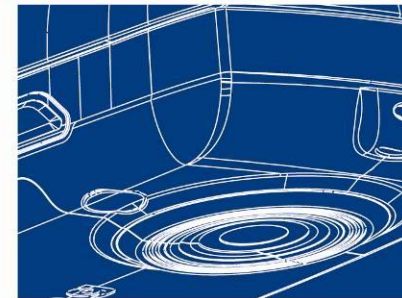
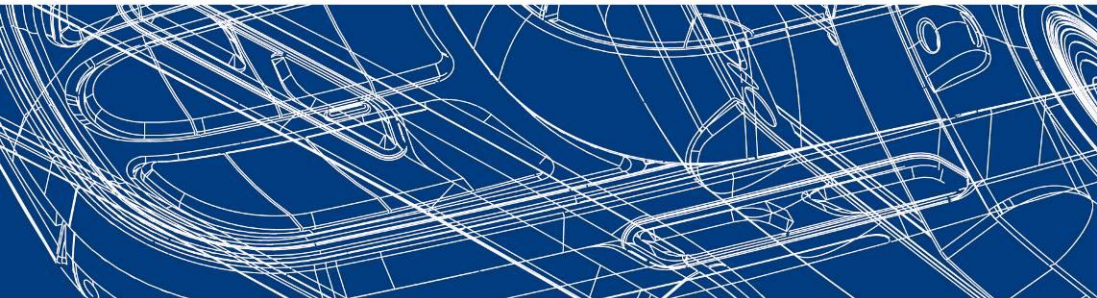


SIM Technology Group

2016 Annual Results Announcement

March 30, 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.

- **2016 Financial Highlights** **Richard Chan**
- **2016 Business Highlights** **Richard Chan**

2016 Financial Highlights

2016 Year Financial Results Highlights

(HK\$M)	2016	2015	% YoY Change
Revenue	2,724	3,197	-14.8%
Gross Profit	402	426	-5.6%
Gross profit as % of Revenue	14.7%	13.3%	
Profit for the year	77	65	+19.5%
Basic Earnings per share (HK cents)	3.02 cents	2.53 cents	+19.4%
Final dividend declared per share* (HK cent)	1	Nil	NA

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

Revenue by Business Segment

	<u>2016</u>		<u>2015</u>		% YoY Change
	Revenue (HK\$M)	% of core business revenue	Revenue (HK\$M)	% of core business revenue	
Handsets, Solutions & Intelligent Terminals	1,271	50.2%	2,043	67.3%	-37.8%
Full handsets (ODM)	930	36.7%	1,320	43.5%	-29.5%
Solutions and intelligent terminals	341	13.5%	723	23.8%	-52.8%
Wireless Communication Modules	815	32.2%	639	21.0%	+27.6%
Internet of Things Business	302	11.9%	273	9.0%	+10.8%
Intelligent Manufacturing Business	144	5.7%	80	2.7%	+78.6%
Revenue of Core Business	2,532	100%	3,035	100%	-16.6%
Properties Development	192		162		+18.9%
Total Revenue	2,724		3,197		-14.8%

Gross Profit by Business Segment

(HK\$M)	<u>2016</u>		<u>2015</u>	
	Gross Profit	% of respective revenue	Gross Profit	% of respective revenue
Handsets, Solutions & Intelligent Terminals	158	12.4%	236	11.5%
Wireless Communication Modules	119	14.5%	95	14.8%
Internet of Things Business	46	15.2%	42	15.5%
Intelligent Manufacturing Business	56	39.1%	27	34.2%
Core Business Gross Profit	379	15.0%	400	13.2%
Residential Properties	23	12.1%	26	15.8%
Total Gross Profit	402	14.7%	426	13.3%

Operating Expenses

	<u>2016</u>		<u>2015</u>		% YoY Change
	HK\$M	% of revenue	HK\$M	% of revenue	
Research & development	102	3.8%	149	4.7%	-31.4%
Selling & distribution	136	5.0%	128	4.0%	+5.9%
Administrative	125	4.6%	103	3.2%	+21.7%
Total operating expenses	363	13.4%	380	11.9%	-4.4%

Cash Flow Statement Highlights

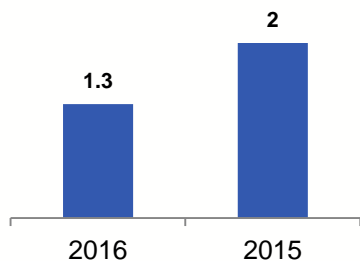
(HK\$M)	<u>2016</u>
Net Cash from operation	211
<i>Capital expenditure</i>	(59)
<i>Development costs</i>	(195)
<i>Net decrease in bank borrowings</i>	(18)
<i>Net decrease in entrusted loan receivables</i>	4
<i>Proceeds from disposal of equipment</i>	5
<i>Bank interest paid</i>	(10)
<i>Repayment to non-controlling shareholders of subsidiaries</i>	(9)
<i>Deposits received for disposal of an associate</i>	1
<i>Others</i>	(5)
Net cash outflow	<u>(75)</u>
Cash balances at beginning period	<u>401</u>
Cash & Bank balances at 31 December 2016 <i>(Including pledged bank deposits)</i>	<u>326</u>
Gearing ratio (bank borrowings / total assets)	<u>8.6%</u>

	2016	2015	% Change
Current ratio (times)	1.9	1.8	+5.6%
Inventory turnover period [#] (days)	119	71	+67.6%
Trade and notes receivables turnover period [#] (days)	40	33	+21.2%
Trade and notes payables turnover period [#] (days)	88	64	+37.5%
# for the core business			

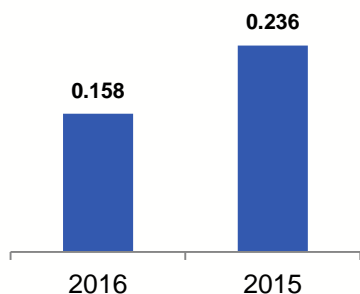
2016 Business Highlights

- * 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

2016 : GP% 12.4%

2015 : GP% 11.5%

Handsets and Intelligent Terminal Sales, Gross Profits & GP %

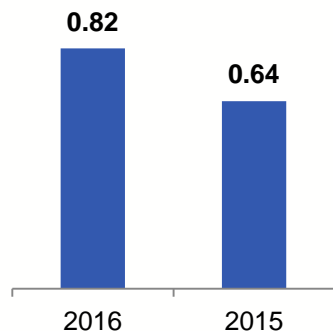
- Sales Volume:** decreased as compared to 2015 due to the reduction of scale on mid-to-low-end products with low GP margin
- Revenue :** decreased 37.8% over 2015 due to the decreased of the sale volume of mid-to-low-end products with low GP margin
- Gross Profits:** dropped in GP profits but increased in GP% over 2015 due to the concentration of the sales of high-end differentiated handset products with higher ASP and gross margin
- GP%:** 12.4% vs 11.5% (2015)

Overall Business Strategy and Performance

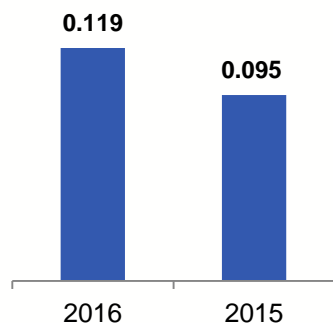
- Continued to reduce the scale of mid-to-low-end with low GP margin products to minimize business risk.
- Continued to shift our customer base further towards providing differentiated consumer handsets and industrial application terminal products.
- Continued to invest in various specialized IOT technology (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.

- Global demand for differentiated handset and industrial IOT market will continue to grow and will bring massive opportunities to the Group's terminal ODM business.
- The Group will continue to focus on high-end differentiated consumer handset products and increase investment in industrial terminals.
- Management expects handset business to drive most of its most of its profit from differentiated handset and industrial application terminals.
- The Group will continue to strengthen its development in overseas markets with the future development strategy of having equal emphasis on both domestic and overseas markets.

Wireless Modules Sales



Wireless Modules Gross Profits



Sales & GP: HK\$ Billion

2016 : GP% 14.5%
2015 : GP% 14.8%

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

Sales Volume: recorded more than 27% growth in overall shipment volume

Revenue : recorded over 27% growth in overall revenue, attributable to the fast growth of 3G and 4G products shipment

Gross Profits: 25% growth over 2015 due to the increase in the shipment of 3G/4G products with higher unit prices (ASP) & GP%

GP%: 14.5% vs 14.8% (2015)

Overall Business Performance

- Sales volume of 3G and 4G products with higher selling price and GP margin boasting higher growth.
- Sales of 2G products accounted for larger shipment volume including intelligent POS, intelligent meter and healthcare modules.
- In overseas markets, many regions have been affected by slow economic growth and lack in government support - relatively slow progress and still in the market grooming stage.
- In some high-end markets such as the US and Japan, most of our 4G products had obtained international accreditation and operator certifications – lay a solid foundation for the Group to bring its products to customers.
- Sales volume to overseas markets, especially Europe, showed more significant growth against last year, owed mainly to contribution from the 2G and 3G security and vehicle markets.

- 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 introduced a strategic partner, U-blox AG (Switzerland) (for details, please refer to the announcement dated 22 January).
- After completion of the transaction, the business nature of the wireless communication modules business will switch from the product-orientated (having its own brand with independent R&D and marketing team) to service-orientated for EMS providers (responsible for procurement, logistics to manufacturing).

Vending Machine Business

- The 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.
- The platform provides services including backstage software system service, vending machine storage upgrading and transformation service, online valued-added service, offline beverages wholesale distribution services and financial leasing services.
- The Group will continue to strengthen the development of its value-added business for intelligent automatic vending machine and through the cooperation on cloud-based business with **UnionPay** to achieve a win-win situation where UnionPay uses the Group's vending machine network **to promote its new businesses** through this high-frequency yet small amount transaction channel while the Group can benefit from **UnionPay's marketing and channel support**.

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.

- 2015 – the Group developed its intelligent manufacturing business with developing automated robotic testing equipment ;
- 2016 – the Group entered into the intelligent manufacturing field and expanded its R&D team for robotics application and integration.
- In 2016, besides handset manufacturing industry, the Group also expanded into 3C electronic business and other manufacturing industry, resulting significant growth of revenue and gross profit margin as compared to 2015 (**revenue up 79% while gross profit increased 104%**).
- The Group continued to invest in three core technologies, aiming to reduce production cost, improve labor environment, avoid occurrence of human error, and thereby significantly improving the overall quality of enterprises.
- The Group's 3 divisions to build the 3 core technology foundations are:
 - **Robotic integrated applications** / to replace operation requires large amount of procedures in the production line.
 - **Optical system and artificial intelligence** / to replace large number of visual inspections tasks done by workers.
 - **Industrial internet** / to replace or assist office workers in enterprises such as the planner, simple instructions for warehouse managers.
- The Group will continue to develop the 3 core technologies and continue investing and expanding the business into more industrial markets.

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 1,338 units had been sold.

Taizhou City

“Seven River in Sweet” (七里香溪), Phase I has a total of 310 residential units, of which 251 units had been sold.

The construction of Phase II has been commenced and is expected to be completed in the second half of 2017.

Revenue : HK\$192.4 million (2015: 161.9 million)

GP% : 12.1% (2015: 15.8%)

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 -