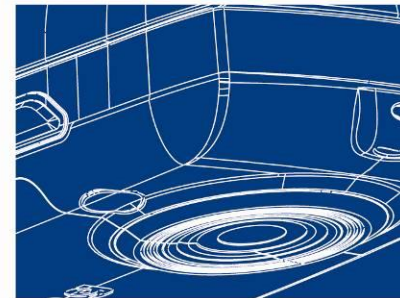
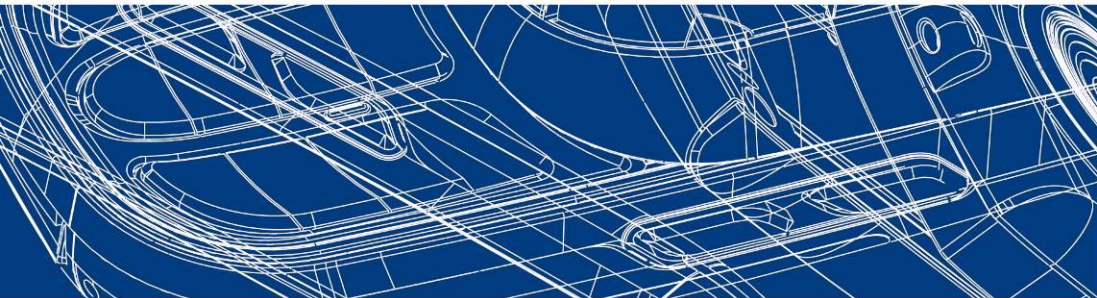


SIM Technology Group

2014 1st Half Results Announcement

August 28, 2014



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-2014 Financial Highlights Richard Chan**
- **1H-2014 Business Highlights Richard Chan**

1H-2014 Financial Highlights

1st Half - 2014 Financial Highlights

| (HK\$M) | 1H-2014 | 1H-2013 | % YoY Change |
|--|-----------|-------------|--------------|
| Revenue | 925 | 787 | +17.6% |
| Gross Profit | 128 | 75 | +71% |
| Gross profit as % of Revenue | 13.8% | 9.5% | |
| Profit (Loss) for the period | 5 | (126) | NA |
| Profit (Loss) as % of Revenue | 0.5% | (16.0%) | |
| Basic Profit (Loss) per share (HK cents) | 0.2 cents | (5.0) cents | NA |
| Interim Dividend (HK cents) | Nil | Nil | |

Revenue by Business Segment

| | <u>1H-2014</u> | | <u>1H-2013</u> | | % YoY Change |
|---------------------------------------|-----------------|----------------------------|-----------------|----------------------------|---------------|
| | Revenue (HK\$M) | % of core business revenue | Revenue (HK\$M) | % of core business revenue | |
| Handsets & Solutions | 618 | 71.2% | 408 | 57.1% | +51.5% |
| Full handsets (ODM) | 499 | 57.5% | 217 | 30.4% | +130.0% |
| Handset solutions and royalties | 119 | 13.7% | 191 | 26.7% | -37.7% |
| Wireless Communication Modules | 228 | 26.3% | 217 | 30.4% | +5.0% |
| Display Modules | 15 | 1.7% | 90 | 12.5% | -83.9% |
| Internet of Things Business | 7 | 0.8% | Nil | | NA |
| Revenue of Core Business | 868 | 100% | 715 | 100% | +21.4% |
| Properties Development | 57 | | 72 | | -19.7% |
| Total Revenue | 925 | | 787 | | +17.6% |

Gross Profit by Business Segment

| (HK\$M) | 1H-2014 | | 1H-2013 | |
|---------------------------------------|---------------------|-------------------------|--------------|-------------------------|
| | Gross Profit (Loss) | % of respective revenue | Gross Profit | % of respective revenue |
| Handsets & Solutions | 82 | 13.4% | 23 | 5.6% |
| Wireless Communication Modules | 34 | 15.0% | 34 | 15.5% |
| Display Modules | (5) | (33.6%) | 1 | 1.3% |
| Internet of Things Business | 1 | 4.2% | Nil | NA |
| Core Business GP | 112 | 12.9% | 58 | 8.1% |
| Residential Properties | 16 | 27.4% | 17 | 24% |
| Total GP | 128 | 13.8% | 75 | 9.5% |

| | <u>1H-2014</u> | | <u>1H-2013</u> | | % YoY Change |
|--------------------------|----------------|--------------|----------------|--------------|---------------|
| | HK\$M | % of revenue | HK\$M | % of revenue | |
| Research & development | 72 | 7.8% | 109 | 13.9% | -34.0% |
| Selling & distribution | 39 | 4.2% | 44 | 5.6% | -11.9% |
| Administrative | 41 | 4.5% | 55 | 7.0% | -24.8% |
| Total operating expenses | 152 | 16.5% | 208 | 26.5% | -26.9% |

Cash Flow Statement Highlights

| (HK\$M) | <u>1H-2014</u> |
|--|--|
| Net Cash used in operating activities | (102) |
| Capital expenditure | (11) |
| Development costs | (62) |
| Net increase in bank borrowings | 129 |
| Deposits received for disposal of an associate | 13 |
| Investment in entrusted loan receivables | (38) |
| Others | 12 |
| Net cash outflow | <hr style="width: 100%; border: 0.5px solid black;"/> (59) |
| Cash balances at beginning period <i>(including pledged bank deposits and structured deposit)</i> | 368 |
| Cash / Bank balances at 30 June 2014 <i>(Including pledged bank deposits)</i> | <hr style="width: 100%; border: 0.5px solid black;"/> 309 <hr style="width: 100%; border: 0.5px solid black;"/> |
| Gearing ratio (bank borrowings / total assets) | <hr style="width: 100%; border: 0.5px solid black;"/> 10.6% <hr style="width: 100%; border: 0.5px solid black;"/> |

| | 1H-2014 | Yr-2013 | % Change |
|---|---------|---------|----------|
| Current ratio (times) | 1.9 | 2.0 | -5.0% |
| Inventory turnover ratio [#] (days) | 58 | 59 | -1.7% |
| A/R turnover ratio [#] (days) | 63 | 66 | -4.5% |
| N/R turnover ratio [#] (days) | 2 | 10 | -80.0% |
| A/P & N/P turnover ratio [#] (days) | 77 | 93 | -17.2% |
| # for the core business | | | |

1H-2014

Business Highlights

- * **Handsets and Solutions**
- * **Wireless Communication Modules**
- * **Display Modules & Property**
- * **Internet of Things**
- * **Production and Manufacturing**

Handset and Solutions Sales & Gross Margin %

- Rise in the sales volume of **high-end consumer handsets and industrial application terminals** (2014-1H) in contrast to a greater sales volume of low margin products to domestic operators (2013-1H).

- Achieved remarkable growth of Revenue, Gross margin & GP%

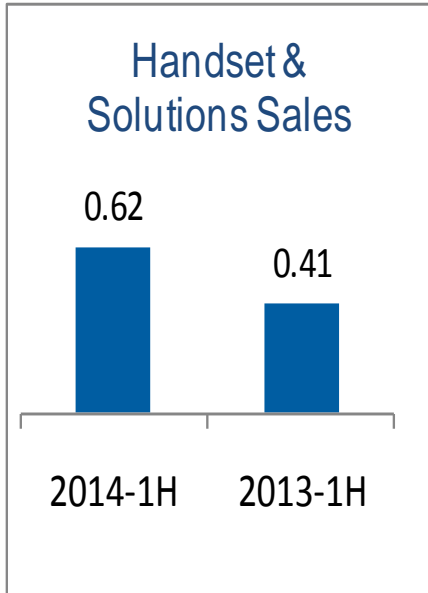
Revenue (52% growth over 2013-1H)

Gross profit (264% growth over 2013-1H)

GP% (2014-1H :13.4% Vs 2013-1H :5.6%)

Overall Business Strategy and Performance

- Adhered to the strategy of focusing on the quality high-end ODM handset business and completed large-scale production and delivery of high-end ODM consumer handset consignments for several international & PRC customers (Acer, Vestel & 臺人臺本).
- Started boosting our investment in the R&D of 4G solutions last year. Currently, more than 80% of its R&D resources were allocated to the development of **4G handsets and terminals**.
- Cooperated with a branded company in the US to produce waterproof, dust-proof and shock resistant mobile terminals with an anti-explosion feature. The new product is expected to be delivered to telecom **operators in North America such as AT&T, Bell and Telas** in the second half of 2014.

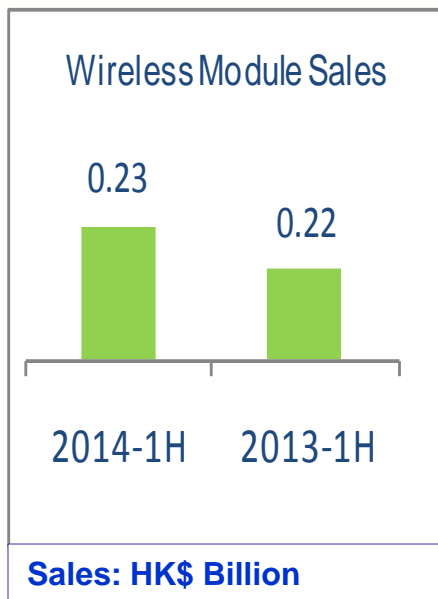


Sales: HK\$ Billion

2014-1H : GP% 13.4%
2013-1H : GP% 5.6%

1. The Group believes that its positioning in the high-end ODM consumer business will enjoy more business opportunities and greater scope for development in the future. Consequently, the Group's handsets business has **advanced out of the difficult condition in the past two years to realize a profit.**
2. With our strong R&D capability, flexible and highly efficient manufacturing capability and outstanding **track record of servicing quality clients**, the Group maintains the confidence to provide comprehensive ODM services for quality customers and manufacture superior consumer handsets, and realize further business growth once again.
3. With the rapid uptake of 4G technology around the world, in particular the tremendous growth of 4G networks in China, North America and Japan, of which is expected to generate revenue for the Group in the future.
4. Rising demands of the IOT and the mobile office together with the concern about information security and terrorism, the demand for IOT industrial application terminals is expected to grow in the government authorities, mobile payment and mobile POS industries.
5. Therefore, the management believes that the consumer handset and industrial application ODM businesses will remain as the major profit drivers for the Group during the next two years.

Wireless Module Business Performance (2014-1H)



2014-1H : GP% 15.0%
2013-1H : GP% 15.5%

Wireless Module Sales & Gross Margin %

- Recorded growth in overall delivery volume and revenue was attributable to an increase in demand of the domestic and overseas markets. The relatively higher delivery volume of 2G products in China and Europe, along with faster growth in delivery volume of high value 3G products in North America and Japan.

Revenue (5.0% growth over 2013-1H)

Gross Profit (1.4% growth over 2013-1H)

GP% (2014-1H:15.0% Vs 2013-1H:15.5%)

Overall Business Performance

- In face of the intense price competition in the traditional 2G product segment, the Group has added a new platform to its existing 2G product platform to cater for the customers' demand for solutions targeted at more sub-market segments. The new platform has been rolled out to both domestic and overseas markets.
- At the 3G/4G platform level, the Group has enriched its product range, which has enabled it to widen the gap with its peers and meet the rising demand for **3G/4G LTE solutions in the overseas market**, thereby gaining the recognition and confidence of overseas operators and top-tier customers in the Group's brand (SIMCom).
- For the solutions which are operator-oriented, the Group has continued to strengthen cooperation through customized projects with **overseas operators such as AT&T, SOFTBANK, Coyote and Panasonic**. In domestic markets, the modules and terminals used by **China Mobile** for optimizing networks and on-site testing of 4G networks in 2014 were mostly provided by the Group.

- The Group will continue to expand its market share in China and overseas. Capitalizing on its 2G/3G cost advantage, it has developed diverse product ranges covering AMI, telematics and mobile payment sectors in an effort to maximize its market share in China.
- For overseas business, the Group will launch its 3G/4G new products and work with overseas operators on customized projects. The Group believes that the shipment volume, sales amount and profit will deliver strong growth in the second half of this year and next year.
- The Group will continue to strengthen cooperation through customized projects with PRC operators and overseas operators such as AT&T, SOFTBANK , Coyote and Panasonic.
- In domestic markets, the Group will continue to cooperate with PRC operators especially China Mobile in areas of optimizing networks and on-site testing of 4G networks.

Display Modules Business

- Since 2013, the higher-than-expected drop in the price of touch panel module products along with the dramatic change in the technology of touch panels have resulted in a substantial loss in the business. Therefore, the Group has decided to reduce its operation scale at the end of 2013.
- The Group has cleared the slow moving materials and equipment production lines for display and touch panel modules. The Group expects to finish the clearance of materials in inventory and equipment by the end of the year
- The Group has begun to procure display and touch panel module products from external suppliers to meet the internal demand of the Group.

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

Shenyang City

- As at 30 June 2014, out of the 404 residential units in Phase I, 383 units had been sold while in the completed sections of Phases II and III, 490 and 6 units were also sold respectively. The sales recognized in the first half of 2014 amounted to HK\$57.5 million (2013: HK\$71.6 million) and the gross profit margin was 27.4% (2013: 24.0%).

Taizhou City

- The Group intends to develop a land parcel in Taizhou City, PRC into an “intelligent residential district” with the project designated an “IOT and New Generation Energy Model Residential Area.” As at the date of this report, 80% of the construction in Phase I has been completed and is expected to go to market in the second half of 2014.

The Group is actively developing new strategies and has actually begun implementation as it develops businesses in this segment.

Cloud computing and big data service platform Businesses

- The Group is leveraging its industry-leading technologies in big data, cloud computing, mobile internet and IOT to develop a cloud computing and big data service platform to address the healthcare needs for the elderly living alone. The platform can be used in smart homes, community property management, interaction between primary school students and their parents, families and schools.
- The Group will continue to develop and engage in incorporating artificial intelligence elements into residential and commercial properties, and also for the IOT projects relating to the elderly, transportation and education aspects.

Revamping Traditional Vending Machine Business

- The Group aims to revamp traditional vending machines into one-stop multi-functional devices that provide various convenient services such as product selling, advertisements, logistics, e-commerce, financial services and web-surfing. The “intelligence” of these machines beyond the so-called “smart terminal” offers new hope for the industry, and has bright prospects.
- Currently, more than 20 franchisees have signed agreements for cooperation which cover more than 3,000 vending machines, of which 1,300 under financial leasing. The management expects these numbers to grow further by end of this year and its aim is to become the leader in the industry next year.
- The Group will continue to engage in developing solutions for the emerging intelligent vending machine industry and create a new business model to build a vending machine franchise system.

- Facing a labour intensive industry, the Group has decided to revamp the areas with significant manpower requirements in the handset production lines, starting from the automation of PCBA examination after SMT procedure.
- At the beginning of this year, the Group revised and optimized the solution for automation of production lines over a half year period and has extended automation elsewhere in handset production. Starting from 2014, the Group's manufacturing department has begun to take external production orders.
- The Group believes that it is inevitable for manufacturing industry to increase the scope of automation and artificial intelligence in China. In the future, the Group hopes to replicate its own successful experience for other players in the handset manufacturing industry and turn it into one of the core businesses of the Group.

The management has confidence that its traditional high-end handset and industrial application ODM 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 positions the Group to continuously and steadily grow in the coming years.

- Thank You -