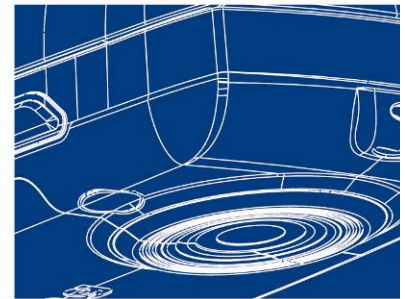
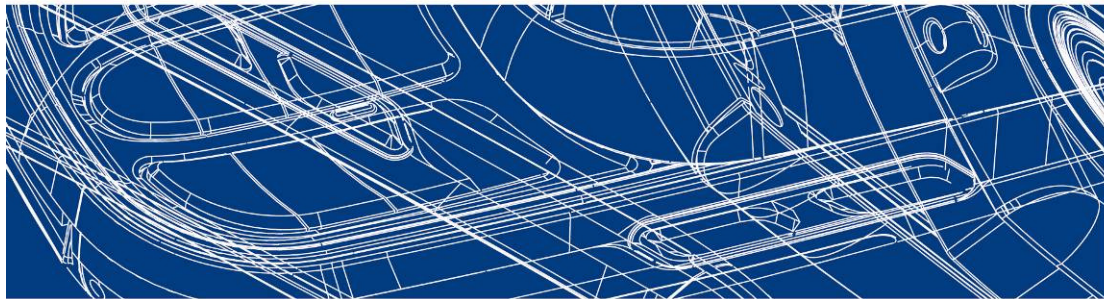




# **SIM Technology Group**

## **2014 Annual Results Announcement**

*March 27, 2015*



**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.**

- **2014 Financial Highlight**      **Richard Chan**
- **2014 Business Highlight**      **Richard Chan**

# 2014 Financial Highlight

## 2014 Year Financial Results Highlights

| (HK\$M)                                       | 2014      | 2013        | % YoY Change  |
|---|-----------|-------------|---------------|
| Revenue                                       | 2,352     | 1,716       | <b>+37.1%</b> |
| Gross Profit                                  | 301       | 188         | <b>+60.4%</b> |
| <b>Gross profit as % of Revenue</b>           | 12.8%     | 10.9%       |               |
| Profit (Loss) for the year                    | 24        | (239)       | <b>NA</b>     |
| Basic Earnings (Loss) per share<br>(HK cents) | 0.94 cent | (9.4) cents | <b>NA</b>     |
| Dividend paid per share<br>(HK cents)         | Nil       | Nil         | <b>NA</b>     |

# Revenue by Business Segment

|                                       | <u>2014</u>     |                            | <u>2013</u>     |                            | % YoY Change  |
|---------------------------------------|-----------------|----------------------------|-----------------|----------------------------|---------------|
|                                       | Revenue (HK\$M) | % of core business revenue | Revenue (HK\$M) | % of core business revenue |               |
| <b>Handsets &amp; Solutions</b>       | <b>1,512</b>    | <b>70.6%</b>               | <b>963</b>      | <b>60.3%</b>               | <b>+56.9%</b> |
| Full handsets (ODM)                   | 1,178           | 55.0%                      | 530             | 33.2%                      | +122.3%       |
| Handset solutions and royalties       | 334             | 15.6%                      | 433             | 27.1%                      | -23.1%        |
| <b>Wireless Communication Modules</b> | <b>557</b>      | <b>26.0%</b>               | <b>473</b>      | <b>29.6%</b>               | <b>+17.8%</b> |
| <b>Display Modules</b>                | <b>14</b>       | <b>0.7%</b>                | <b>162</b>      | <b>10.1%</b>               | <b>-91.0%</b> |
| <b>Internet of Things Business</b>    | <b>58</b>       | <b>2.7%</b>                | <b>Nil</b>      | NA                         | NA            |
| Revenue of Core Business              | 2,141           | 100%                       | 1,598           | 100.0%                     | +34.0%        |
| <b>Properties Development</b>         | <b>211</b>      |                            | <b>118</b>      |                            | <b>+79.6%</b> |
| Total Revenue                         | 2,352           |                            | 1,716           |                            | +37.1%        |

# Gross Profit by Business Segment

| (HK\$M)                               | 2014                |                         | 2013         |                         |
|---------------------------------------|---------------------|-------------------------|--------------|-------------------------|
|                                       | Gross Profit (Loss) | % of respective revenue | Gross Profit | % of respective revenue |
| <b>Handsets &amp; Solutions</b>       | <b>161</b>          | <b>10.6%</b>            | <b>102</b>   | <b>10.6%</b>            |
| <b>Wireless Communication Modules</b> | <b>91</b>           | <b>16.3%</b>            | <b>74</b>    | <b>15.6%</b>            |
| <b>Display Modules</b>                | <b>(8)</b>          | <b>(54.8%)</b>          | <b>(18)</b>  | <b>(10.8%)</b>          |
| <b>Internet of Things Business</b>    | <b>13</b>           | <b>23.4%</b>            | <b>Nil</b>   | <b>NA</b>               |
| Core Business GP                      | 257                 | 12.0%                   | 158          | 9.9%                    |
| <b>Residential Properties</b>         | <b>44</b>           | <b>21.0%</b>            | <b>30</b>    | <b>25.4%</b>            |
| Total GP                              | 301                 | 12.8%                   | 188          | 10.9%                   |

## Operating Expenses

|                          | <u>2014</u> |              | <u>2013</u> |              | % YoY Change  |
|--------------------------|-------------|--------------|-------------|--------------|---------------|
|                          | HK\$M       | % of revenue | HK\$M       | % of revenue |               |
| Research & development   | <b>144</b>  | <b>6.1%</b>  | <b>202</b>  | <b>11.7%</b> | <b>-28.5%</b> |
| Selling & distribution   | <b>102</b>  | <b>4.3%</b>  | <b>107</b>  | <b>6.3%</b>  | <b>-5.4%</b>  |
| Administrative           | <b>86</b>   | <b>3.7%</b>  | <b>100</b>  | <b>5.8%</b>  | <b>-13.9%</b> |
| Total operating expenses | <b>332</b>  | <b>14.1%</b> | <b>409</b>  | <b>23.8%</b> | <b>-18.9%</b> |



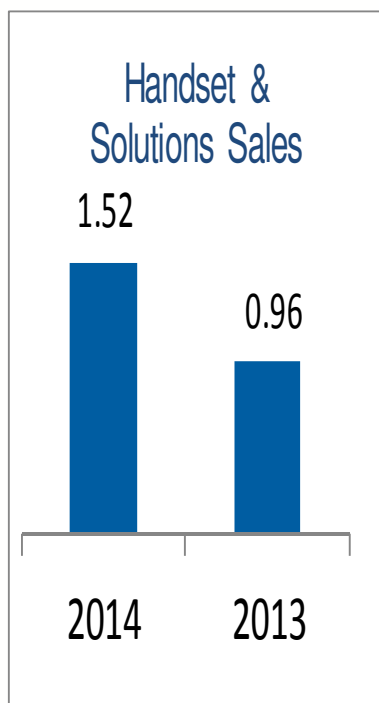
# Cash Flow Statement Highlights

| (HK\$M)   | <u>2014</u>         |
|---|---------------------|
| Net Cash from operation   | 45                  |
| <b><i>Capital expenditure</i></b>                                     | <b>(19)</b>         |
| <b><i>Development costs</i></b>                                       | <b>(123)</b>        |
| <b><i>Net increase in bank borrowings</i></b>                         | <b>130</b>          |
| <b><i>Investment in an associate</i></b>                              | <b>(2)</b>          |
| <b><i>Net increase in entrusted loan receivables</i></b>              | <b>(41)</b>         |
| <b><i>Proceeds from disposal of property, plant and equipment</i></b> | <b>16</b>           |
| <b><i>Deposits received for disposal of an associate</i></b>          | <b>16</b>           |
| <b><i>Others</i></b>  | <b>(16)</b>         |
| Net cash inflow   | <u>6</u>            |
| Cash balances at beginning period                                     | <u>368</u>          |
| <b>Cash &amp; Bank balances at 31 December 2014</b>                   | <b><u>374</u></b>   |
| <i>(Including pledged bank deposits and structured deposit)</i>       |                     |
| <b>Gearing ratio (bank borrowings / total assets)</b>                 | <b><u>10.4%</u></b> |

|   | 2014 | 2013 | % Change |
|---|------|------|----------|
| Current ratio<br>(times)  | 2.1  | 2.0  | +5%      |
| Inventory turnover ratio <sup>#</sup><br>(days)                   | 53   | 59   | -10%     |
| Trade and notes receivables turnover ratio <sup>#</sup><br>(days) | 41   | 66   | -38%     |
| Trade and notes payables turnover ratio <sup>#</sup><br>(days)    | 56   | 93   | -40%     |
| # for the core business   |      |      |          |

## **2014 Business Highlight**

- \* Handsets and Solutions Business and Prospects**
- \* Wireless Communication Modules Business and Prospects**
- \* Display Modules and Property Businesses and Prospects**
- \* New Businesses and Prospects**



Sales: HK\$ Billion

2014 : GP% 10.6%  
2013 : GP% 10.6%

### Handset and Solutions Sales & Gross Margin %

- Rise in the sales volume of **high-end consumer handsets and industrial application terminals** (2014) in contrast to a greater sales volume of low margin products to domestic operators.(2013).
- Achieved remarkable growth of Revenue and Gross margin:  
**Revenue** ( 57% growth over 2013)  
**Gross Margin** ( 58% growth over 2013)

### Overall Business Strategy and Performance

- Adhered to the strategy of focusing on the quality high-end ODM consumer handset business, expanding cooperation with some large and mid-size domestic and global customers, making shipments to South and North America, Europe as well as Japan and Korea in Asian.
- Started boosting our investment in the R&D of 4G LTE solutions since last year. Currently, more than 90% of its R&D resources were allocated to the development of **4G handsets and terminals**.
- During the Year, owing to the aberrant and serious material issues, missing the opportunity to create an even greater revenue, gross profits and GP% improvement.
- Benefitting from the demand trends of the IOT and mobile office, the Group accelerated the development of various industrial application and IOT terminals, specially designed for the use in logistics, telematics, finance and medical care industries. Cooperated with a branded company in the US to produce waterproof, dust-proof and shock-resistant mobile terminals with an anti-explosion feature. The products have obtained certification from AT&T and have already been delivered to customers.

## Future Prospects - Handsets & Solutions Business

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 has shown notable growth in the government authorities, mobile payment and mobile POS industries in recent years.
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 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.

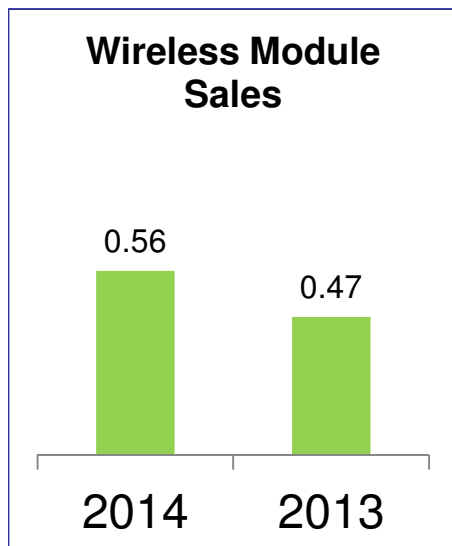
Revenue (18% growth over 2013)

Gross margin (23% growth over 2013)

GP% (2014: 16.3% vs 2013: 15.6%)

## 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 (Europe & US)**, 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, in particular seizing first mover opportunities in Europe, the US, Japan and Korea.



Sales: HK\$ Billion

**2014 : GP% 16.3%**

**2013 : GP% 15.6%**

- Through successful implementation of the Group's product strategy in 2014, it has developed diverse product ranges covering fleet management, commercial telematics, AMR, wireless POS terminals, security, telehealth in an effort to capture global market share in the 2G market and make inroads into the 3G/4G market in Europe, the U.S., Japan and Korea in 2015.
- Aims to attain international certification and develop strategic cooperation with top global operators and also strives to build partnerships with its customers who are leading companies in major M2M industrial application areas.
- The Group will continue to collaborate with top global operators to facilitate the implementation for 3G/4G projects and subsequent marketing campaigns.
- In domestic markets, the Group will continue to cooperate with PRC operators in areas of optimizing networks and on-site testing of 4G networks.

### Display Module Business

- The Group has decided to substantially reduce the operation scale of the display module business at the end of 2013. 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 31 December 2014, out of the 404 residential units in Phase I, 389 units had been sold while out of the 756 residential units in Phases II, 566 units had been sold. In the completed section of phase III, 27 units had been sold. The sales recognized in 2014 amounted to HK\$211.2 million (2013: HK\$117.6 million). Gross profit margin was 21.0% (2013: 25.4%).

#### 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.” Phase I has begun pre-sale and is expected to delivered in the fourth quarter of 2015.



**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, as well as IOT projects relating to elderly care, transportation and education.

## **Revamping Traditional Vending Machine Business**

- Besides, 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.
- During the year, most of the Group’s vending machines are located in economically prosperous regions such as the Yangtze River Delta and Pearl River Delta Regions. Operation teams have been formed in Shanghai, Nanjing and Shenzhen. The Group has also set up many cloud-based trade warehouses in various locations in China to form a complete product distribution system.
- The Group will continue to leverage its finance lease company to reduce the vending machine business funding pressure.

### Smart Manufacturing Business

- Labour-intensive manufacturing industry in China faces challenges to adapt in order to survive. Main issues currently faced by the industry are labour shortages, high labour costs and difficulty in serving labour. The Group has devoted great efforts to develop a smart robotic manufacturing business to replace manpower with machines.
- After operation for one year, the robotic automated inspection line developed by the Group has become mature and has been introduced into the market.
- The Group has adopted a franchisee business model and consolidated a group of automation integration companies to form a smart automated manufacturing industry alliance – “SIM Smart Manufacturing”. This platform serves to leverage specific advantages of these companies to capture the outstanding opportunities presented by the automation and transformation of the manufacturing industry in China
- Management believes that smart automated manufacturing in the manufacturing sector will be the dominant future trend and this business is expected to become one of the Group’s core growth drivers in the future.

**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 -**