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SIM TECHNOLOGY GROUP LIMITED

晨訊科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 2000)

INSIDE INFORMATION

LAND RESUMPTION

This announcement is made by SIM Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

BACKGROUND

Reference is made to the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report**”). As disclosed in the Annual Report, in anticipation of the intention of the local government of Qingpu District, Shanghai Municipality, the People’s Republic of China (the “**PRC**”) to change the use of the land in Qingpu, Shanghai, the PRC at which one of the Group’s manufacturing plants is located, the Group began to gradually implement the relocation of its production lines and the severance of its staff at the Qingpu plant to another manufacturing plant of the Group located at Tongcheng since the third quarter of 2022.

In February 2023, Shanghai Sunrise Simcom Limited (“**Shanghai Sunrise Simcom**”), an indirect wholly-owned subsidiary of the Company, received a notice from Xiang Hua Qiao Street House Land Expropriation Compensation Office (香花橋街道房屋土地徵收補償工作辦公室) (the “**Government Notice**”). According to the Government Notice, Shanghai Sunrise Simcom was informed that the piece of land owned by it (the “**Land**”) was subject to resumption by the local government in the Qingpu District, Shanghai Municipality, the PRC (the “**Land Resumption**”).

The Company has sought legal advice from its PRC lawyers in relation to the Land Resumption and was advised by the PRC lawyers that Shanghai Sunrise Simcom would be bound to surrender the Land in accordance with the relevant laws and regulations of the PRC and Shanghai Sunrise Simcom would have no discretion to act in an opposite manner.

RESUMPTION OF LAND

The board of directors of the Company (the “**Board**”) would like to announce that on 10 July 2023 (after trading hours), Shanghai Sunrise Simcom entered into a land resumption agreement (the “**Land Resumption Agreement**”) with Xianghuaqiao Sub-district Office of the People’s Government of Qingpu District, Shanghai (上海市青浦區人民政府香花橋街道辦事處) (the “**Local Government**”), in respect of resumption of the land use rights of the Land together with all buildings, structures and attachments thereat. Pursuant to the Land Resumption Agreement, Shanghai Sunrise Simcom shall surrender the land use rights of the Land to the Local Government.

Details of the Land

The Land is situated at No. 888 Shengli Road, Xiang Hua Qiao Street, Qingpu District, Shanghai, the PRC with a site area of approximately 66,270.41 square meters. The Land has been approved for industrial use purpose. The buildings and structures (the “**Buildings**”) erected thereat have a total building area of 66,243.31 square meters. As at the date of this announcement, the relocation of production lines on the Land and severance of staff in Qingpu plant are in progress and the management believed that the relocation could be completed on schedule. Portion of the Buildings with total gross floor area of approximately 31,892.50 square meters have been leased out.

Compensation and Payment Terms

Pursuant to the Land Resumption Agreement, the compensation payable to Shanghai Sunrise Simcom for the Land Resumption is comprised of three parts. The first part is the compensation of RMB129,227,280 and RMB245,207,885 respectively for the resumption of each of the Land and the Buildings, and the second part is the compensation for decoration, compensation for ancillaries, compensation for equipment relocation and installation, compensation for equipment that cannot be restored to use at replacement price, compensation for production and business suspension, and compensation for all tenants on the Land that would be paid by Shanghai Sunrise Simcom and the compensation for the severance of staff due to relocation, totalling RMB255,919,316. The third part is an incentive for Shanghai Sunrise Simcom to relocate on schedule. If Shanghai Sunrise Simcom and all the tenants on the Land vacate within 180 days after the Land Resumption Agreement becoming effective, Shanghai Sunrise Simcom can receive an additional incentive of RMB118,470,547. The aforesaid three parts of compensation, totaling RMB748,825,028, is the entire amount of compensation that is payable to Shanghai Sunrise Simcom for the Land Resumption (the “**Total Compensation**”).

The Total Compensation shall be payable by the Local Authority to Shanghai Sunrise Simcom in the following manner:

- 30% of the Total Compensation shall be paid within 30 working days after the Land Resumption Agreement becoming effective;
- 40% of the Total Compensation shall be paid within 30 working days after Shanghai Sunrise Simcom and the tenants of the Buildings having completed half of the relocation; and
- 30% of the Total Compensation shall be paid within 30 workings day after Shanghai Sunrise Simcom completes the variation or cancellation procedures of the utilities used, and completes the buildings handover procedures, and provides or cancels the original real estate title certificate or real estate title certificate.

The Total Compensation was determined by the Local Government based on the relevant laws, regulations, and procedures applicable to resumption of state-owned lands in Qingpu District, which comprised of the consideration for the transfer of the land use rights of the Land, the purchase price for the buildings and structures thereat, compensation for the attachments thereat and other costs to be incurred by Shanghai Sunrise Simcom in relation to the Land Resumption.

The Land Resumption Agreement becomes effective upon the signing by both parties.

Information of the parties to the Land Resumption Agreement

The Group is principally engaged in the manufacturing, design and development and sale of handsets and internet of things (IOT) terminals business and property management in the PRC.

The Local Government is the local authority under the People's Government of Qingpu District, Shanghai, Municipality, the PRC and, for the purpose of the Land Resumption, is the transferee of the Land.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Local Government is governmental authorities of the PRC and is third parties independent of and not connected with the Company and its connected persons.

Financial Effects of the Land Resumption

Base on the latest audited financial statements as at 31 December 2022, the net book value of the assets subject to the Land Resumption was in the amount of approximately HK\$202,955,000 and was recorded as assets classified as held for disposal. On account of the Total Compensation of approximately RMB748,825,028 (equivalent to approximately HK\$813,223,980), the Group is expected to record an estimated net gain before tax from the Land Resumption of approximately HK\$610,268,980. Such estimated net gain has not taken into account of any costs and expenses incurred relating to the Land Resumption and relocation, the compensation payable to the tenants and any PRC enterprise income tax and other related tax expenses to be or may be charged. The actual amount of the gain from the Land Resumption to be recorded by the Group is subject to audit, and accordingly, it may be different from the amount stated above.

As the production lines have already been relocated to the Group's Tongcheng plant and taking into account the above positive financial effects of the Land Resumption, the Board is of the view that the Land Resumption is fair and reasonable in the interests of the Company and its shareholders as a whole and would not have any material adverse effect to core businesses of the Group.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
SIM Technology Group Limited
Wong Cho Tung
Executive Director

10 July 2023

As at the date of this announcement, the executive directors of the Company are Ms Yeung Man Ying, Mr Wong Cho Tung, Mr Liu Jun and Mr Zhu Wenhui, the non-executive director of the Company is Mr Wong Hei, Simon, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Wu Zhe and Mr Li Minbo.

For the purpose of illustration only, the amounts denominated in RMB have been translated into HK\$ using the exchange rate of RMB1: HK\$1.086. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.

* *For identification purposes only*