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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)**

### **UPDATE ON THE DEVELOPMENT PLAN OF DONGGUANG AND THE LAND AND DISCLOSEABLE TRANSACTION TERMINATION OF THE ASSIGNMENT CONTRACT**

#### **THE TERMINATION AGREEMENT**

On 29 December 2023, the Vendor and Guangdong SIM entered into the Termination Agreement to terminate the Assignment Contract and return the Land to the Vendor subject to the terms and conditions therein contained.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Termination Agreement is more than 5% but less than 25%, the transaction contemplated under the Termination Agreement constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 24 October 2022 in relation to the Assignment Contract entered into between Guangdong SIM and the Vendor on 21 September 2022, pursuant to which Guangdong SIM acquired the right to use the Land from the Vendor at the consideration of RMB38,700,000 (equivalent to HK\$42,570,000) (“**Consideration**”) for the development of a technological industrial park.

Reference is also made to the announcement of the Company dated 13 April 2023 where the Company announced that the management of the Group had adjusted the business strategies and development plan of the Group after careful and thorough consideration, taking into account the financial resources and business needs of the Group, and that the Group had informed the Local Authority that the Group was not able to develop the Land in accordance with timeline imposed by the Local Authority and would like to withdraw from the development of the Land. Since then, the Group had been communicating with the Local Authority on the possibility to resell the Land to the Vendor.

On 29 December 2023, the Vendor and Guangdong SIM entered into the Termination Agreement to terminate the Assignment Contract and return the Land to the Vendor (“**Return of the Land**”). The principal terms of the Termination Agreement are set out below.

## **THE TERMINATION AGREEMENT**

Date: 29 December 2023

Parties: (1) The Vendor  
(2) Guangdong SIM

Termination of the Assignment Contract: The Vendor and Guangdong SIM agreed to terminate the Assignment Contract and the right to use the Land shall be deemed to have transferred back to the Vendor from Guangdong SIM from the date of the Termination Agreement and the Vendor shall have the full right to use the Land from then on.

Return of the Land: Guangdong SIM shall assist the Vendor and the relevant government authorities to complete all the necessary procedures and formalities required to complete the Return of the Land (“**Accompanying Obligation**”) by the end of 2023, including but not limited to the cancellation of the relevant property rights certificates and obtaining the necessary approvals from the relevant government authorities.

If the Return of the Land cannot be completed by the end of 2023 due to reasons of Guangdong SIM (e.g. its failure to discharge its Accompanying Obligation), Guangdong SIM shall, for each year until the Return of the Land is completed, pay RMB1,006,894 (equivalent to approximately HK\$1,107,583) to the Vendor as compensation (“**Compensation**”), which comprises a land management fee of RMB232,894 (equivalent to approximately HK\$256,183) and an annual land use fee of RMB774,000 (equivalent to HK\$851,400).

Termination Fee: Guangdong SIM agreed to reimburse the Vendor for its failure to develop the Land in accordance with the timeline imposed by the Local Authority and its withdrawal from the development of the same by paying the Vendor a termination fee of RMB2,182,514 (equivalent to approximately HK\$2,400,765) (“**Termination Fee**”).

The Termination Fee comprises a land transfer remedy for missed work of RMB209,200 (equivalent to HK\$230,120), a contract termination remedy for missed work of RMB209,200 (equivalent to HK\$230,120), an annual land management fee of RMB232,894 (equivalent to approximately HK\$256,183), a land valuation fee of RMB24,220 (equivalent to HK\$26,642), a land survey and mapping fee of RMB33,000 (equivalent to HK\$36,300), a land smoothing and fencing fee of RMB700,000 (equivalent to HK\$770,000) and an annual land use fee of RMB774,000 (equivalent to HK\$851,400).

Return of Consideration: Assuming that Guangdong SIM discharges its Accompanying Obligation as agreed by the end of 2023, the Vendor shall pay RMB36,517,486 (equivalent to approximately HK\$40,169,235) (“**Returned Amount**”) (which is equivalent to the Consideration paid by Guangdong SIM pursuant to the Assignment Contract less the Termination Fee) to Guangdong SIM in one lump sum within 15 business days upon completion of the Return of the Land.

In the event that the Return of the Land cannot be completed by the end of 2023 due to reasons of Guangdong SIM, the Vendor shall be entitled to deduct, in addition to the Termination Fee, the Compensation before returning the Consideration to Guangdong SIM.

## **REASONS AND BENEFITS FOR ENTERING INTO THE TERMINATION AGREEMENT**

Reference is made to the announcement of the Company dated 26 January 2021, in which the Company announced its development plan in Huangjiang Town, Dongguan, the PRC, and subsequently, Guangdong SIM was established by the Group as its wholly-owned subsidiary.

The Group at first intended to utilise the Land to develop through Guangdong SIM a technological industrial park. However, due to the uncertain economic environment caused by the COVID-19 pandemic, the Group had to adjust its business strategies and development plans, taking into account its financial resources and business needs, and would not be able to develop the Land in accordance with the timeline imposed by the Local Authority. The Group has also decided to terminate the development plan in Huangjiang Town, Dongguan, the PRC. Accordingly, the Directors are of the view that entering into the Termination Agreement to withdraw from the development of the Land is the best available option for the Group which minimises the potential risks to which the Group exposes in respect of claims for damages and/or liquidated damages for its delayed or non-performance of obligations under the Assignment Contract.

The terms of the Termination Agreement, including the Termination Fee, the Compensation and the Returned Amount, were negotiated and entered into by Guangdong SIM and the Vendor on an arm's length basis and are normal commercial terms. The Directors are of the view that the terms of the Termination Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. It is expected that the entering into of the Termination Agreement by Guangdong SIM will not have any significant adverse impact on the financial position and operations of the Group.

## **FINANCIAL EFFECTS OF THE TERMINATION AGREEMENT**

Base on the latest unaudited financial statements as at 30 June 2023, the net book value of the Land was in the amount of approximately HK\$43,116,315. On account of the Returned Amount of RMB36,517,486 (equivalent to approximately HK\$40,169,235), the Group is expected to record an estimated net loss from the Return of the Land of approximately HK\$2,947,080. Such estimated net loss has not taken into account any costs and expenses incurred relating to the Return of the Land and any PRC tax expenses to be or may be charged. The actual amount of loss from the Return of the Land to be recorded by the Group is subject to audit, and accordingly, it may be different from the amount stated above.

The proceeds from the Return of the Land are intended to be used as general working capital of the Group.

## **INFORMATION OF THE GROUP AND THE PARTIES**

### **The Group**

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.

### **Guangdong SIM**

Guangdong SIM is an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it is dormant.

### **The Vendor**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Vendor is an organisation responsible for managing the assets collectively owned by more than 400 households in the Xingguang Village in Huangjiang Town, Dongguan, the PRC; and (ii) the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction contemplated under the Termination Agreement is more than 5% but less than 25%, the transaction contemplated under the Termination Agreement constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions have the following meanings:

“Assignment Contract”	the assignment contract of the right to use collective construction land dated 21 September 2022 and entered into between the Vendor and Guangdong SIM in respect of the acquisition by Guangdong SIM of the right to use the Land for 50 years
“Board”	the board of Directors
“Company”	SIM Technology Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong SIM”	廣東晨訊科技有限公司 (unofficial English translation being Guangdong SIM Technology Limited), a wholly foreign-owned enterprise established in the PRC on 29 June 2021 and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a piece of land situated at 東莞市黃江鎮星光村 (unofficial English translation being Dongguan City Huangjiang Town Xingguang Village) in the PRC, with a site area of 38,815.68 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Local Authority”	黃江鎮經濟高質量發展指揮部辦公室 (unofficial English translation being the High-quality Economic Development Headquarters Office of Huangjiang Town), the local authority of Huangjiang Town, Dongguan, the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the termination agreement dated 29 December 2023 and entered into between the Vendor and Guangdong SIM in respect of the termination of the Assignment Contract and the Return of the Land
“Vendor”	東莞市黃江鎮星光股份經濟聯合社 (unofficial English translation being Dongguan City Huangjiang Town Xingguang Stock Economic Collective Society), a collective economic organisation in Huangjiang Town, Dongguan City, the PRC
“%”	per cent.

By order of the Board  
**SIM Technology Group Limited**  
**Wong Cho Tung**  
*Chairman*

29 December 2023

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.10. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

\* For identification purposes only