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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)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION DISPOSAL OF 51% EQUITY INTEREST IN TARGET COMPANY

THE DISPOSAL

The Board announces that on 23 December 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreements with the Purchasers, pursuant to which the Vendor conditionally agreed to sell and the Purchasers conditionally agreed to purchase in aggregate 51% equity interest in the Target Company at an aggregate consideration of RMB26,667,900.

LISTING RULES IMPLICATIONS

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

By virtue of the relationship as described as under the paragraph headed “Information on the Group, the Purchasers and the Target Group” below, the First Purchaser is a connected person at the subsidiary level of the Company. Therefore, the First SPA constitutes a connected transaction between the Company and a connected person at the subsidiary level under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and Shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules.

THE DISPOSAL

The Board announces that on 23 December 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreements with the Purchasers, pursuant to which the Vendor conditionally agreed to sell and the Purchasers conditionally agreed to purchase in aggregate 51% equity interest of the Target Company at a total consideration of RMB26,667,900.

THE AGREEMENTS

The terms of the First SPA and the Second SPA are principally identical. The principal terms of the Agreements are as follows:

	First SPA	Second SPA
Date:	23 December 2020	
Parties:	(1) The Vendor; and (2) The First Purchaser.	(1) The Vendor; and (2) The Second Purchaser.
Subject matter:	21.5% equity interest in the Target Company.	29.5% equity interest in the Target Company.
Consideration:	RMB11,242,350, which shall be paid by the First Purchaser to the Vendor in cash in the following manner: (1) RMB2,248,470 shall be paid within 5 days of signing of the First SPA; and (2) RMB8,993,880 shall be paid within 60 days after completion.	RMB15,425,550, which shall be paid by the Second Purchaser to the Vendor in cash in the following manner: (1) RMB3,085,110 shall be paid within 5 days of signing of the First SPA; and (2) RMB12,340,440 shall be paid within 60 days after completion.
Completion:	Completion shall take place upon the completion of change of industrial and commercial registration procedures for the 21.5% equity interest in the Target Company.	Completion shall take place upon the completion of change of industrial and commercial registration procedures for the 29.5% equity interest in the Target Company.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Vendor shall hold 49% of the entire issued share capital of the Target Company and the Target Company will cease to be a subsidiary of the Group.

Subject to further audit procedures to be performed by the auditors of the Company and based on the unaudited net assets value of the Target Group as at 30 November 2020, it is expected that there will not be any gain or loss to be recorded as a result of the Disposal. The final gain or loss from the Disposal will be subject to the net assets value of the Target Group at Completion.

The net proceeds to be received by the Vendor from the Disposal will be applied towards the general working capital requirements of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The intelligent manufacturing business segment of the Group mainly consists of three sub-segments, namely the industrial robot automation business (“**IRA Business**”), the visual technology industrial application equipment business and the factory digitization background software business.

The performance of the intelligent manufacturing business segment is not satisfactory because only the IRA Business has been profitable over the past few years in the mobile phone manufacturing market. Even then, such market has not grown as rapidly as anticipated and it is expected that it will shrink in future.

The Board is of the view that fresh input is therefore needed to explore other industry markets for this segment and that it will enter a phase of rapid growth if the Group can combine with the technology and market resources of its strategic partners and the management can have an equity stake in the segment. The Disposal represents such an opportunity and the Board believes the Target Company will generate greater value for the Group. Furthermore the strategy of the Group’s new management is to focus its resources on the development of its key business segment, the handsets and IOT terminals business. In respect of underperforming business segments, the Group’s strategy is to perform evaluation and make changes where necessary to generate the greatest return to the Group.

The consideration for the First SPA and the Second SPA was respectively determined after arm’s length negotiations between the parties on normal commercial terms, having considered, among other factors, the business prospects and financial performance of the Target Group.

The Directors (including all independent non-executive Directors) consider that the terms of the Agreements are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group, and that they are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, THE PURCHASERS AND THE TARGET GROUP

The Group

The Group is principally engaged in (i) the ODM (original design manufacturer) of handsets and intelligent terminals business; (ii) the provision of EMS (electronic manufacturing services) in wireless communication modules business; (iii) the intelligent manufacturing business; (iv) the internet of things business; (v) small-scale property development business; and (vi) property rental management business in the PRC.

The Vendor

The Vendor is an indirect wholly-owned subsidiary of the Company and is principally engaged in manufacturing of handsets and IOT terminals business in the PRC and property management.

The Purchasers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries,

- (1) the principal business of the First Purchaser includes investment holding and the provision of technological and management services and the First Purchaser is owned as to 29% by Liu Zhirong, 27% by Yao Wenhui, 25% by Yang Bingdong, 14% by Lu Weidong and 5% by Shen Weixing;
- (2) the principal business of the Second Purchaser includes investment holding and strategic management and the Second Purchaser is owned as to 80% by Huang Yongqiang and as to 20% by Fu Junqiao;
- (3) each of Liu Zhirong and Yao Wenhui is a director of several subsidiaries of the Company and is therefore a connected person of the Company at subsidiary level;
- (4) Yang Bingdong, Lu Weidong and Shen Weixing are staff members of the Group; and
- (5) each of the Second Purchaser and its ultimate beneficial owner is an Independent Third Party.

The Target Group

As at the date of this announcement, the Target Company holds 100% of 廣東晨施達自動化科技有限公司(unofficial English translation being Guangdong Chengshida Automation Technology Co., Limited) (“**Chengshida**”), 58% of 廣東瓏智科技有限公司(unofficial English translation being Guangdong Jizhi Technology Co., Ltd.) (“**GD Jizhi**”) and 40% of 廣東科利萊科技有限公司(unofficial English translation being Guangdong Kelilai Technology Co., Ltd.) (“**Kelilai**”).

The Target Company is a company established in the PRC on 29 September 2014 and is principally engaged in development of internet of things system and online-to-offline equipment in the PRC. As at the date of this announcement, it is an indirect wholly-owned subsidiary of the Company.

Chengshida is a company established in the PRC on 21 April 2016 and is principally engaged in development of automated test equipment in the PRC.

GD Jizhi is a company established in the PRC on 18 August 2016 and is principally engaged in development of internet of things system and online-to-offline equipment in the PRC.

Kelilai is a company established in the PRC on 18 October 2018 and is principally engaged in Development of automated test equipment in PRC.

Certain financial information of the Target Group as extracted from the unaudited consolidated financial statements of the Target Group prepared in accordance with International Financial Reporting Standards, for two years ended 31 December 2019 were as follows:

	For the financial year ended 31 December	
	2018	2019
	<i>HKD' 000</i>	<i>HKD' 000</i>
	(unaudited)	(unaudited)
Profit before income tax	9,141	17,268
Profit after income tax	6,608	15,002

According to the unaudited consolidated financial statements of the Target Group prepared in accordance with International Financial Reporting Standards, the unaudited consolidated total asset value as at 30 June 2020 and 30 November 2020 was approximately RMB104,950,000 and RMB157,340,000 respectively, and the unaudited consolidated net asset value of the Target Group as at 30 June 2020 and 30 November 2020 was approximately RMB38,820,000 and RMB52,290,000 respectively.

IMPLICATION UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

By virtue of the relationship as described as under the paragraph headed “Information on the Group, the Purchasers and the Target Group” above, the First Purchaser is a connected person at the subsidiary level of the Company. Therefore, the First SPA constitutes a connected transaction between the Company and a connected person at the subsidiary level under Chapter 14A of the Listing Rules. The Board (including all independent non-executive Directors) has approved the transactions as contemplated under the First SPA and confirmed that the terms of the First SPA are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. Therefore, the First SPA is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the circular, independent financial advice and shareholders’ approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors is required to abstain from voting on the Board resolution approving the First SPA as none of them is materially interested in it.

DEFINITIONS

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

“Agreements”	the First SPA and the Second SPA
“Board”	the board of Directors
“Company”	SIM Technology Group Limited (stock code: 2000), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 51% equity interest in the Target Company
“First Purchaser”	上海佰旎企業管理合夥企業(有限合夥)(unofficial English translation being Shanghai Bai Ni Enterprise Management Partnership (Limited Partnership)), a limited partnership established in the PRC

“First SPA”	the sale and purchase agreement dated 23 December 2020 and entered into between the Vendor as seller and the First Purchaser as purchaser in relation to the disposal of the 21.5% equity interest in the Target Company
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and its connected person(s) (having the meaning ascribed to it under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Purchasers”	the First Purchaser and the Second Purchaser
“RMB”	Renminbi, the lawful currency of the PRC
“Second Purchaser”	上海聯鋅鋅企業管理合夥企業(有限合夥) (unofficial English translation being Shanghai Lianxincheng Enterprise Management Partnership (Limited Partnership)), a limited partnership established in the PRC
“Second SPA”	the sale and purchase agreement dated 23 December 2020 and entered into between the Vendor as seller and the Second Purchaser as purchaser in relation to the disposal of the 29.5% equity interest in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

- “Target Company” 上海璣智自動化科技有限公司(unofficial English translation being Shanghai Jizhi Automation Technology Co., Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
- “Target Group” the Target Company and its subsidiaries
- “Vendor” 上海晨興希姆通電子科技有限公司(unofficial English translation being Shanghai Sunrise Simcom Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

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

23 December 2020

As at the date of this announcement, the executive directors of the Company are Ms Yeung Man Ying, Mr Wong Cho Tung and Mr Liu Jun, and the independent non-executive directors of the Company are Mr Liu Hing Hung, Mr Wang Tianmiao and Mr Wu Zhe.

* *For identification purposes only*