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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SIM Technology Group Limited (“Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchasers or transferees.

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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)**

**(1) MAJOR TRANSACTION:  
DISPOSAL OF TECHNOLOGY AND ASSETS IN RELATION TO  
WIRELESS COMMUNICATION MODULES BUSINESS  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening the SGM to be held at Unit 2402, 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 23 March 2017 at 10 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed herewith. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sim.com](http://www.sim.com)) respectively.

Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof if they so wish.

\* For identification purposes only

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP</b> .....	I-1
<b>APPENDIX II – GENERAL INFORMATION</b> .....	II-1
<b>NOTICE OF SGM</b> .....	SGM-1

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Asset Purchase Agreement”	the asset purchase agreement dated 20 January 2017 and entered into among SIM Technology (BVI), Simcom Electronic, Simcom Wireless as vendors and u-blox AG in respect of the sale and purchase of the Tangible Assets, the Technical Secrets and the Patent Application Rights
“Asset Vendors”	the vendors under the Asset Purchase Agreement, being SIM Technology (BVI), Simcom Electronic and Simcom Wireless collectively
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	SIM Technology Group Limited (晨訊科技集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the disposal of the Tangible Assets, the Technical Secrets and the Patent Application Rights in accordance with the terms and conditions of the Asset Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal (or assignment, as the case may be) of the Disposal Assets by the Group to u-blox AG Group pursuant to the terms and conditions of the Technology Assignment Contract and the Asset Purchase Agreement
“Disposal Assets”	the assets to be assigned under the Technology Assignment Contract (being the Patents and Software Copyrights) and the assets to be sold under the Asset Purchase Agreement (being the Tangible Assets, the Technical Secrets and the Patent Application Rights)
“EMS”	electronics manufacturing services

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## DEFINITIONS

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“General Quality Agreement”	the general quality agreement to be entered into among Shenyang SIM and Shanghai Sunrise as suppliers and one of the u-blox AG’s WFOEs as customer in relation to the general quality standards applying to all modules and services to be supplied by Shenyang SIM and Shanghai Sunrise to such u-blox AG’s WFOE
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	24 February 2017, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained herein
“Leasing Agreements”	the two leasing agreements dated 20 January 2017 and entered into between Shanghai SIM Technology Limited as landlord and u-blox AG as tenant in relation to the leasing of certain office premises located at No.633 Jinzhong Road, Shanghai, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Patents and Software Copyrights”	certain patents and software copyrights relevant to 2G, 3G and 4G wireless communication module and GNSS module which are owned by Shanghai Simcom and Simcom Wireless
“Patent Application Rights”	certain patent application rights owned by the Group used in the Wireless Communication Modules Business
“PRC”	the Peoples’ Republic of China, which for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“ODM”	original design manufacturing
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Contracts”	the existing sales contracts, distributor contracts and orders relevant to the operation of the Wireless Communication Modules Business

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## DEFINITIONS

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“Service Agreement”	the service agreement to be entered into between Shanghai Simcom and one of the u-blox AG’s WFOEs in relation to the provision of certain administrative services by the Group to such u-blox AG’s WFOE and its subsidiaries in the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held at 10 a.m. on Thursday, 23 March 2017 at Unit 2402, 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (or any adjournment thereof) to consider and, if thought fit, approve the Technology Assignment Contract, the Asset Purchase Agreement and the transactions contemplated thereunder
“Shanghai Simcom”	Shanghai Simcom Limited (希姆通信息技術(上海)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Shanghai Sunrise”	Shanghai Sunrise Simcom Limited (上海晨興希姆通電子科技有限公司), a company incorporated in the PRC and an indirect wholly owned subsidiary of the Company
“Shenyang SIM”	Shenyang SIM Simcom Technology Limited (瀋陽晨訊希姆通科技有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“SIM Technology (BVI)”	SIM Technology Group (BVI) Limited, a company incorporated in the BVI with limited liability, and a wholly-owned subsidiary of the Company
“Simcom Electronic”	Shanghai Simcom Electronic Limited (上海芯通電子有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Simcom Wireless”	Shanghai Simcom Wireless Solutions Limited (芯訊通無線科技(上海)有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supply Agreement”	the supply agreement to be entered into between Shenyang SIM as supplier and one of the u-blox AG’s WFOEs as customer in relation to the supply of wireless communication module products (2G, 3G, 4G) and GNSS module products to such u-blox AG’s WFOE
“Tangible Assets”	certain tangible assets used in the Wireless Communication Modules Business, including but not limited to office equipment, computers, lab equipment, tools and fixtures
“Technical Secrets”	certain technical secrets owned by the Asset Vendors used in the Wireless Communication Modules Business, including but not limited to technical specification, bill of materials, software source code, circuit board diagram, PCB – Gerber document, testing method and software, production and quality control and technical files
“Technology Assignment Contract”	the technology assignment contract dated 20 January 2017 and entered into between SIM Technology (BVI) and u-blox AG in respect of the assignment of the Patents and Software Copyrights
“Trademark License Agreement”	the trademark license agreement dated 20 January 2017 and entered into between Shanghai Simcom and Simcom Wireless as licensors and u-blox AG as licensee in relation to the grant of a license to use certain trademarks owned by the Group
“Transaction Documents”	the Asset Purchase Agreement and other agreements and documents attached thereto, which include, among others, patent application right assignment agreement, technical secret assignment agreement, physical assets transfer agreement, the Trademark License Agreement, the Leasing Agreements, the Service Agreement, the Supply Agreement and the General Quality Agreement
“u-blox AG”	u-blox AG, a company incorporated and existing in Switzerland
“u-blox AG Group”	u-blox AG and its subsidiaries
“u-blox AG’s WFOEs”	the two wholly foreign owned enterprises to be incorporated in Shanghai, the PRC by u-blox AG according to the Asset Purchase Agreement

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## DEFINITIONS

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“US\$”	United States dollar(s), the lawful currency of the United States
“Wireless Communication Modules Business”	the wireless communication modules business operated by the Group, comprising the 2G, 3G, 4G wireless communication module and GNSS module business
“%”	per cent.

*In this circular, for the purpose of illustration only, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1 to HK\$7.80. 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.*

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## LETTER FROM THE BOARD

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**SIM Technology**

**SIM Technology Group Limited**

**晨訊科技集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2000)**

*Executive Directors:*

Ms. Yeung Man Ying (*Chairman*)

Mr. Wong Cho Tung

Ms. Tang Rongrong

Mr. Chan Tat Wing, Richard

Mr. Liu Hong

Mr. Liu Jun (*Chief Executive Officer*)

*Independent non-executive Directors:*

Mr. Liu Hing Hung

Mr. Xie Linzhen

Mr. Dong Yunting

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of business  
in Hong Kong:*

Unit 2908, 29th Floor

248 Queen's Road East

Wanchai

Hong Kong

28 February 2017

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION:**

**DISPOSAL OF TECHNOLOGY AND ASSETS IN RELATION TO  
WIRELESS COMMUNICATION MODULES BUSINESS**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 22 January 2017 in relation to the Disposal. The purpose of this circular is (i) to provide you with information in respect of the resolution to be proposed at the SGM regarding the Disposal; and (ii) to give you notice of the SGM.

**2. SUMMARY OF THE DISPOSAL**

On 20 January 2017 (after trading hours), SIM Technology (BVI) (a wholly-owned subsidiary of the Company) and a wholly-owned subsidiary of u-blox Holding AG (a company listed on the SIX Swiss Exchange) entered into the Technology Assignment Contract and the Asset Purchase Agreement, pursuant to which the Group has agreed to sell

\* *For identification purposes only*



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## LETTER FROM THE BOARD

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the Group's 2G, 3G, 4G wireless communication module and GNSS module business related technology and assets at the aggregate consideration of US\$52.5 million (equivalent to approximately HK\$409.5 million).

Pursuant to the Technology Assignment Contract, SIM Technology (BVI) shall procure its wholly owned subsidiaries (i.e. Shanghai Simcom and Simcom Wireless) to assign the Patents and Software Copyrights related to the Wireless Communication Modules Business to u-blox AG at the aggregate consideration of US\$40.8 million (equivalent to approximately HK\$318.24 million).

Pursuant to the Asset Purchase Agreement, the Asset Vendors have agreed to sell to u-blox AG and u-blox AG's WFOEs the Technical Secrets and the Patent Application Rights related to the Wireless Communication Modules Business at the aggregate consideration of US\$10.9 million (equivalent to approximately HK\$85.02 million). To ensure a smooth transition, the Assets Vendors have also agreed to sell to u-blox AG and u-blox AG's WFOEs the equipment and facilities related to the Wireless Communication Modules Business (i.e. the Tangible Assets) at the consideration of US\$0.8 million (equivalent to approximately HK\$6.24 million) (excluding value-added tax).

Since the Group's Patents and Software Copyrights, Technical Secrets and Patent Application Rights related to the Wireless Communication Modules Business have been sold to u-blox AG, the Group has undertaken to not to compete with u-blox AG in the Wireless Communication Modules Business.

In order to avoid substantial loss to the Group arising from the Disposal, such as the cost involved in the employment matters of the existing staff, the liability arising from cancellation of unfinished orders and the inventory loss, the following arrangement has been put in place:

u-blox AG has agreed to employ the employees of the Group. The Group will provide a list of employees in the Wireless Communication Modules Business to u-blox AG and provide incentive for them to enter into employment contracts with u-blox AG.

In order to avoid the Group's liability arising from the sudden cancellation of sales orders, u-blox AG has agreed to take up the unfinished orders of the Group and the Group has agreed to assign the existing Sales Contracts to u-blox AG for it to continue to perform. In this connection, the Group will provide the relevant client and order information of the unfinished orders to u-blox AG and authorise u-blox AG's WFOEs to use certain trademarks used in the Wireless Communication Modules Business for an indefinite period and free of charge. The Group also proposes to enter into the Service Agreement with u-blox AG Group for the provision of certain administrative services. Since u-blox AG has agreed to take up the unfinished orders and continue to perform the existing Sales Contracts and in order to assist the Group to utilise certain of its inventory, it is proposed that u-blox AG Group will appoint the Group to provide the comprehensive services from procurement, manufacturing to logistics for the wireless communication module products and GNSS module products.

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## LETTER FROM THE BOARD

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However, in any case, u-blox AG is not obliged to assume all the costs that the Group may incur in connection with the Disposal. Therefore, the Group may incur certain costs in connection with the Disposal.

### 3. THE TECHNOLOGY ASSIGNMENT CONTRACT

The principal terms of the Technology Assignment Contract are set out below:

#### **Date**

20 January 2017

#### **Parties**

- (a) SIM Technology Group (BVI) Limited, a wholly-owned subsidiary of the Company
- (b) u-blox AG, a company incorporated and existing under the laws of Switzerland

#### **Assets to be disposed of and consideration**

SIM Technology (BVI) shall procure Shanghai Simcom and Simcom Wireless (each being an indirect wholly-owned subsidiary of the Company) to assign the Patents and Software Copyrights to u-blox AG at the total consideration of US\$40.8 million (equivalent to approximately HK\$318.24 million), among which:

- (a) US\$25 million (equivalent to approximately HK\$195 million) represents the consideration for the patents owned by Shanghai Simcom;
- (b) US\$10 million (equivalent to approximately HK\$78 million) represents the consideration for the patents owned by Simcom Wireless;
- (c) US\$2 million (equivalent to approximately HK\$15.60 million) represents the consideration for the software copyrights owned by Shanghai Simcom; and
- (d) US\$3.8 million (equivalent to approximately HK\$29.64 million) represents the consideration for the software copyrights owned by Simcom Wireless.

Individual assignment contracts shall be entered into between each of Shanghai Simcom and Simcom Wireless as assignor and u-blox AG as assignee in respect of the assignment of the respective Patents and Software Copyrights. After signing of such individual assignment contracts, SIM Technology (BVI), Shanghai Simcom and Simcom Wireless shall initiate the procedures of submitting application and report of assignment to the relevant authorities.

The consideration under the Technology Assignment Contract shall be payable in cash by u-blox AG to Shanghai Simcom or Simcom Wireless (as the case may be) within one week after receiving the written proof that the State Intellectual Property

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## LETTER FROM THE BOARD

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Office of the PRC and the Copyright Protection Center of China have received the transfer of ownership application pursuant to the relevant assignment contracts respectively.

### **Basis of consideration**

The consideration under the Technology Assignment Contract was arrived at after arm's length negotiation on normal commercial terms between SIM Technology (BVI) and u-blox AG after taking into consideration the book value of the relevant assets and the current operations and business prospects of the Wireless Communication Modules Business.

### **Effective date**

The effectiveness of the Technology Assignment Contract is subject to the condition that the Technology Assignment Contract and the transactions contemplated thereunder have been approved by the Shareholders at the SGM.

## **4. THE ASSET PURCHASE AGREEMENT**

The principal terms of the Asset Purchase Agreement are set out below:

### **Date**

20 January 2017

### **Parties**

Vendors: (i) SIM Technology Group (BVI) Limited, a wholly-owned subsidiary of the Company

(ii) Shanghai Simcom Electronic Limited, an indirect wholly-owned subsidiary of the Company

(iii) Shanghai Simcom Wireless Solutions Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: u-blox AG, a company incorporated and existing under the laws of Switzerland

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## LETTER FROM THE BOARD

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### **Assets to be disposed of and consideration**

The Asset Vendors have agreed to sell and u-blox AG has agreed to cause u-blox AG's WFOEs to purchase the Tangible Assets, the Technical Secrets and the Patent Application Rights free from all encumbrances at the aggregate consideration of US\$11.7 million (equivalent to approximately HK\$91.26 million), of which:

- (a) US\$0.8 million (equivalent to approximately HK\$6.24 million) represents the consideration for the Tangible Assets;
- (b) US\$10.2 million (equivalent to approximately HK\$79.56 million) represents the consideration for the Technical Secrets; and
- (c) US\$0.7 million (equivalent to approximately HK\$5.46 million) represents the consideration for the Patent Application Rights.

The consideration under the Asset Purchase Agreement shall be payable by u-blox AG in cash in the following manner:

- (a) US\$4.2 million (equivalent to approximately HK\$32.76 million) ("**First Tranche Payment**") shall be payable at Completion; and
- (b) the balance of US\$7.5 million (equivalent to approximately HK\$58.50 million) shall be payable within 7 business days after the first anniversary of the Completion Date, on the condition that warranties and representations made by the Asset Vendors under the Asset Purchase Agreement have not been breached.

### **Basis of consideration**

The consideration under the Asset Purchase Agreement was arrived at after arm's length negotiation on normal commercial terms between the Asset Vendors and u-blox AG after taking into consideration the book value of the relevant assets and the current operations and business prospects of the Wireless Communication Modules Business.

### **Effective date**

The effectiveness of the Asset Purchase Agreement is subject to the condition that the Asset Purchase Agreement has been approved by the Shareholders at the SGM.

### **Conditions precedent**

Completion shall be conditional upon and subject to the following conditions being fulfilled (or waived):

- (a) the Transaction Documents have been duly executed by the Asset Vendors;

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## LETTER FROM THE BOARD

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- (b) certain information owned by the Asset Vendors used for the Wireless Communication Modules Business, including but not limited to order book, customers names, addresses, information, customer relations data and point of sales data have been transferred to u-blox AG Group;
- (c) the execution and delivery of the Transaction Documents and the consummation of the transactions contemplated thereunder have been duly authorised by all necessary bodies of the relevant parties;
- (d) none of the Transaction Document is shown by u-blox AG Group to be untrue, incorrect, incomplete or misleading;
- (e) all representations and warranties by the Asset Vendors contained in the Transaction Documents or in any statement or other document delivered or to be delivered by the Asset Vendors under the Transaction Documents should be true, correct, complete and not misleading on and as of the Completion Date in all material respects;
- (f) the Asset Vendors and their affiliates have performed or complied with all covenants, agreements and obligations that the Asset Vendors and their affiliates are required by the Transaction Documents to perform or comply with at or prior to the Completion in all material respects;
- (g) between the date of the Asset Purchase Agreement and the Completion Date, all transactions performed by the Asset Vendors are not conducted in a way which would lead to a material adverse effect;
- (h) all third party consents necessary for consummation of the transactions contemplated under the Transaction Documents have been obtained;
- (i) all necessary authorizations from the governmental entities have been obtained;
- (j) u-blox AG's WFOEs have been incorporated;
- (k) the Asset Vendors shall have transferred and delivered to u-blox AG Group, or caused to be transferred and delivered to u-blox AG Group the Tangible Assets, free and clear of all encumbrances;
- (l) the Asset Vendors shall have transferred and delivered to u-blox AG's WFOEs, or caused to be transferred and delivered to u-blox AG's WFOEs the Patent Application Rights and the Technical Secrets and all documents and information in relation with the Patent Application Rights and the Technical Secrets free and clear of all encumbrances;
- (m) the transfer of the Patent Application Rights has been submitted to the State Intellectual Property of Office of the PRC;

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## LETTER FROM THE BOARD

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- (n) in relation to the assignment of the Sales Contracts, relevant assignment agreements have been executed in accordance with the Asset Purchase Agreement;
- (o) the licenses of certain trademarks have been filed with the Trademark Office of the State Administration For Industry & Commerce of the PRC for registration;
- (p) Shanghai SIM Technology Limited has executed the Leasing Agreements with u-blox AG and there is no breach under such agreements;
- (q) about at least 160 employees of the Asset Vendors have agreed in writing to have their employment contracts assigned to u-blox AG's WFOEs;
- (r) there shall not be in effect on the Completion Date any order of governmental entities restraining, enjoining or otherwise prohibiting or making illegal the consummation of any transactions contemplated under the Transaction Documents;
- (s) no developments, events or occurrences shall have caused or could reasonably be expected to cause a material adverse effect; and
- (t) the Supply Agreement and the General Quality Agreement has been signed.

u-blox AG Group may waive any or all of the above conditions set out above in whole or in part.

Any party to the Asset Purchase Agreement shall be entitled to terminate the Asset Purchase Agreement upon written notice if Completion does not occur within 4 months after the date of the Asset Purchase Agreement ("**Long Stop Date**"), provided that such party has not breached the Asset Purchase Agreement and Completion has not occurred because of such breach. If any of u-blox AG's WFOEs has not been incorporated before the Long Stop Date, u-blox AG may by written notice to the Asset Vendors defer the Long Stop Date, provided that such deferred Long Stop Date shall be within 6 months after the date of the Asset Purchase Agreement.

### **Completion**

Completion shall take place within 7 business days upon the fulfilment (or, as the case may be, waiver) of all the conditions set out under the paragraph headed "THE ASSET PURCHASE AGREEMENT – Conditions precedent" above, or on such other date as the Asset Vendors and u-blox AG may agree in writing.

To safeguard the benefits of the Shareholders, and in accordance with normal business practice, the ownership, usage right and business control right of the target assets (including intangible and tangible assets) related to the Disposal will not be transferred and passed to u-blox AG until the terms on First Tranche Payment in the Asset Purchase Agreement have been performed by u-blox AG.

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## LETTER FROM THE BOARD

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### **Non-competition**

Since the Group's Patents and Software Copyrights, Technical Secrets and Patent Application Rights related to the Wireless Communication Modules Business have been sold to u-blox AG, the Group has undertaken not to compete with u-blox AG in the Wireless Communication Modules Business on the terms that save and except the business of the Asset Vendors' affiliates as a sub-contractor, the Asset Vendors shall not engage in the wireless communication modules (concretely including 2G, 3G, 4G communication technology) and GNSS modules development and sale business (including the setup or holding of any company carrying on such business) for five years from the Completion Date. The business of the Asset Vendors' affiliates as a sub-contractor refers to the supply of wireless communication modules by the Group as a sub-contractor to u-blox AG. Such business has been carved out from the non-competition undertaking such that the Group can provide EMS as a service-oriented provider after completion of the Disposal. Hence, the provision of EMS by the Group to u-blox AG exclusively after completion of the Disposal will not be a breach of the non-competition undertaking.

Also, pursuant to the Supply Agreement, the Group shall not provide similar services of manufacturing wireless communication modules to competitors of one of u-blox AG's WFOEs without its prior written approval.

Taking into account the non-competition undertaking and the production capacity of the Group in the Wireless Communication Modules Business, u-blox AG Group will become the sole customer of the Group in the Wireless Communication Modules Business after completion of the Disposal. However, according to the Supply Agreement, if u-blox AG Group fails to commit the production capacity for continuously a 3-month period or any 4 months within a 6-month period, the Group may take orders from other customers for the unfulfilled capacity, except certain direct head-to-head competitors of u-blox AG Group and any of their affiliates.

Taking into account the change in business model of the Wireless Communication Modules Business as explained under the paragraph headed "8. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS", the Board is of the view that the non-competition undertaking is fair and reasonable to the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 5. ARRANGEMENT FOR THE SMOOTH TRANSITION

The Directors are aware that, as a result of the Disposal, the Group may potentially incur certain costs, such as cost involved in the employment matters of the existing staff, liability arising from cancellation of unfinished orders and inventory loss (collectively, “Disposal Costs”). As at the Latest Practicable Date, it is estimated that the Disposal Costs may together account for around 19% to 30% of the total consideration of the Disposal, which is approximately HK\$77.8 million to HK\$122.9 million. Further details of the Disposal Costs are as follows.

- (a) To comply with the labour laws and regulations in the PRC, the Group may have to bear cost from the termination of employment with certain employees in the Wireless Communication Modules Business. The Group may also provide incentive for certain employees to take up employment with u-blox AG Group. Such cost involved in the employment matters of the existing staff may account for around 4% to 9% of the total consideration of the Disposal.
- (b) As to unfinished sales orders, if the relevant customers disagree to the transfer of those contracts to u-blox AG Group, the Group may incur liability in failing to perform its contractual obligations. Such liability may account for up to 1% of the total consideration of the Disposal.
- (c) As to inventory, due to the change in business model of the Wireless Communication Modules Business (as explained under the paragraph headed “8. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS”), it is expected not all existing inventory can be consumed so the unused inventory will be a loss to the Group. The inventory loss may account for around 15% to 20% of the total consideration of the Disposal.

In order to avoid substantial loss to the Group arising from the Disposal, the following arrangement has been put in place. However, in any case, u-blox AG is not obliged to assume all the Disposal Costs that the Group may incur. Therefore, the Group may incur certain costs in connection with the Disposal. The Group would like to emphasise that the estimates of the Disposal Costs are based on current circumstances and the final figures are subject to changes. The Group has been working closely with the u-blox AG Group on the transition arrangements to mitigate such potential loss as far as possible.

#### **Employees**

u-blox AG has agreed to employ the employees of the Group. The Group will provide a list of employees in the Wireless Communication Modules Business to u-blox AG and provide incentive for them to enter into employment contracts with u-blox AG.

Such employees comprise of those who are engaged in the research and development as well as sales aspect of the Wireless Communication Modules Business. Other employees, for example those in the manufacturing, procurement and logistics functions, are not affected.



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## LETTER FROM THE BOARD

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### **Unfinished contracts**

In order to avoid the Group's liability arising from the sudden cancellation of sales orders, u-blox AG has agreed to take up the unfinished orders of the Group and the Group has agreed to assign the existing Sales Contracts to u-blox AG for it to continue to perform. In this connection, the Group will provide the relevant client and order information of the unfinished orders to u-blox AG and authorise u-blox AG's WFOEs to use certain trademarks used in the Wireless Communication Modules Business for an indefinite period and free of charge. The Group also proposes to enter into the Service Agreement with u-blox AG Group for the provision of certain administrative services. Since u-blox AG has agreed to take up the unfinished orders and continue to perform the existing Sales Contracts and in order to assist the Group to utilise certain of its inventory, it is proposed that u-blox AG Group will appoint the Group to provide the comprehensive services from procurement, manufacturing to logistics for the wireless communication module products and GNSS module products.

The detailed terms of agreements of the aforesaid arrangements are set out below.

#### *(i) Sales Contracts*

The Asset Vendors shall assign to u-blox AG's WFOEs the Sales Contracts free of charge pursuant to the Asset Purchase Agreement. To ensure that u-blox AG Group can perform under the Sales Contracts, the Asset Vendors shall also disclose the related customer information to u-blox AG Group, including order book, customers names, addresses, information, customer relations data and point of sales data.

In case the Asset Vendors fail to obtain the written consent from the counterparties of the Sales Contracts in relation to assignment before Completion, then at the choice of u-blox AG Group, the Asset Vendors shall (i) terminate such contracts with immediate effect, or (ii) purchase from u-blox AG Group's WFOEs those products ordered by the counterparties of such contracts at the price, terms and conditions agreed under such contracts until such contracts are fully performed.

The Sales Contracts consist of certain distributor contracts, sales contracts and unfinished orders of the Group. As to the distributor contracts and sales contracts, they are mainly framework supply agreements. As to the unfinished orders, it is estimated that they will amount to approximately RMB8.0 million as at completion of the Disposal and such unfinished orders are expected to be completed within one month of the completion of the Disposal.

#### *(ii) Trademarks*

Pursuant to the Asset Purchase Agreement, the Asset Vendors shall grant to u-blox AG Group a license to use certain trademarks owned by the Group.

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## LETTER FROM THE BOARD

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In this regard, on 20 January 2017, Shanghai Simcom and Simcom Wireless as licensors and u-blox AG as licensee entered into the Trademark License Agreement for the grant of a perpetual, irrevocable and sub-licensable license to use such trademarks free of charge.

*(iii) Provision of administrative service to u-blox AG*

It is proposed that Shanghai Simcom and one of the u-blox AG's WFOEs (after it has been incorporated) will enter into the Service Agreement pursuant to which Shanghai Simcom agrees to provide certain accounting, payroll, sales administration services to one of the u-blox AG's WFOEs and its subsidiaries in the PRC for a service fee of RMB250,000 per month for 3 months with a renewal option. The service fee under the Service Agreement was determined based on the cost of provision of those services and market prices.

*(iv) Supply of products to u-blox AG Group*

It is proposed that (i) Shenyang SIM and one of the u-blox AG's WFOEs (after it has been incorporated) will enter into the Supply Agreement; and (ii) Shenyang SIM, Shanghai Sunrise and one of the u-blox AG's WFOEs (after it has been incorporated) will enter into the General Quality Agreement. Pursuant to the Supply Agreement and the General Quality Agreement, one of the u-blox AG's WFOEs is responsible for the design and development of module products and will deliver the relevant information of raw material procurement and production processing to Shenyang SIM which will then procure the materials and arrange production and logistics according to the production technology and quality standard specified by such u-blox AG's WFOE. The Supply Agreement and the General Quality Agreement do not have a fixed term but parties thereto may terminate the Supply Agreement and the General Agreement with 18-month prior written notice.

The price for the sale of module products to u-blox AG Group is determined mainly upon the principle of "cost plus" and the price will be reviewed periodically by the Group and u-blox AG Group. Cost plus is determined based on the cost for manufacturing the required specification and quantity of the module products to be purchased by u-blox AG Group plus a margin as agreed between the Group and u-blox AG Group and the cost is estimated principally with reference to, where applicable, raw materials, labour and manufacturing, etc. Such margin was determined taking into account market information.

*(v) Office premises*

According to the Asset Purchase Agreement, the Asset Vendors shall procure Shanghai SIM Technology Limited (an indirect wholly-owned subsidiary of the Company) to lease certain office premises located in Shanghai in the PRC to u-blox AG and u-blox AG shall have the right to assign such lease to u-blox AG's WFOEs.

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## LETTER FROM THE BOARD

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On 20 January 2017, Shanghai SIM Technology Limited and u-blox AG entered into the Leasing Agreements pursuant to which (i) the office premises located on the 7th floor of SIM Building B, No.633 Jinzhong Road, Shanghai, the PRC is leased to u-blox AG from 1 February 2017 to 31 December 2020 for an annual rental of RMB 2.8 million (with a rent-free period for the first 45 days of the lease), and (ii) the office premises located at Room 504 of SIM Building A, No.633 Jinzhong Road, Shanghai of the PRC is leased to u-blox AG from 20 January 2017 to 30 September 2017 for a daily rental of RMB135 (with a rent-free period for the first 90 days of the lease).

### 6. INFORMATION ON U-BLOX AG

u-blox AG is a company incorporated and existing in Switzerland and a wholly-owned subsidiary of u-blox Holding AG, the shares of which are listed on the SIX Swiss Exchange.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, (i) each of u-blox AG and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules); and (ii) u-blox AG Group is principally engaged in the development and sale of positioning and wireless semiconductors and modules for the automotive, industrial and consumer markets.

### 7. INFORMATION ON THE DISPOSAL ASSETS

The Disposal Assets consist of all intellectual property rights and assets owned and used by the Group in connection with the research and development in the Wireless Communication Modules Business.

As at 31 December 2016, the aggregate unaudited net book value of the Disposal Assets amounts to approximately HK\$69.1 million.

The segmental results of the Wireless Communication Modules Business for the two years ended 31 December 2015 as extracted from the annual report of the Group for the year ended 31 December 2015 are as follows:

	<b>For the year ended 31 December 2015</b>	<b>For the year ended 31 December 2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	638,847	557,309
Segment profit	58,567	40,875

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## LETTER FROM THE BOARD

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### 8. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

#### **Background**

The Group is principally engaged in the PRC in (i) the design and OEM (original equipment manufacturer) of handsets and intelligent terminals, (ii) the design and development, manufacturing and sale of the Group's SIMCom-branded wireless communication modules, (iii) intelligent manufacturing business, (iv) internet of things business and (v) property development in a small scale.

In the past five years, following the change in trends, the Group has been committed to shift from the manufacturing industry to the information technology services industry and transform itself from a product-oriented manufacturer to a service-oriented service provider.

#### **Current operations and business prospects of the Wireless Communication Modules Business**

After years of development, the Group has become one of the leading manufacturers of wireless communication modules by achieving a significant market share in the Wireless Communication Modules Business. However, as competition in the industry intensifies, the gross profit margin of the Wireless Communication Modules Business has been squeezed down over the years. To develop the Wireless Communication Modules Business to another level, the Group will need to develop its own branded semiconductor chips and tap into new overseas market. However, the Group does not consider the research and development of own-branded semiconductor chips a suitable development direction at the current stage. Taking into account the current difficulties and the aggravating market competition, the Group reckons that bringing in a strategic partner and changing the business model of its Wireless Communication Modules Business is the best solution in light of the Group's transformation.

#### **Business model of the Wireless Communication Modules Business before and after the Disposal**

Since the Wireless Communication Modules Business involves production of the Group's own-branded products, it is product-oriented manufacturing after all. As a product-oriented manufacturer, the Group conducts the market research, product design and development, procurement, manufacturing, sales and marketing and delivery of its own SIMCom-branded wireless communication modules.

After completion of the Disposal, the nature of the Wireless Communication Modules Business will change from the marketing of the Group's own-branded modules as a product-oriented manufacturer to the provision of EMS as a service-oriented provider (i.e. from procurement, logistics to manufacturing). As an EMS provider, the Group will provide u-blox AG Group with procurement, manufacturing and logistics services in relation to the wireless communication module products and GNSS module products. Under the new business model, the Group will

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## LETTER FROM THE BOARD

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no longer conduct the design and development, sales and marketing for the Wireless Communication Modules Business and u-blox AG Group will take up such work. u-blox AG Group will deliver the relevant information in relation to procurement and production processing to the Group. The Group will then procure the materials, arrange production and ship out the finished products according to the requirements specified by u-blox AG Group.

Barring unforeseen circumstances, it is expected that the gross profit margin for the existing models of the module products which will be manufactured and supplied by the Group as an EMS provider to u-blox AG Group will decrease by approximately 7% to 12% (depending on the type of product with different gross profit margin) as compared to the gross profit margin of the module products sold directly to end customers by the Group as a product-oriented manufacturer before completion of the Disposal. As to any new products in the future, the gross profit margin will be negotiated between the Group and the u-blox AG Group. In terms of costs, it is expected that the labour cost of the Wireless Communication Modules Business will decrease since around 200 employees in the sales and research and development teams of the Group will be transferred to u-blox AG Group (or laid off if they are unwilling to take up the new employment).

It is expected that, after completion of the Disposal, the turnover of the Wireless Communication Modules Business will remain similar. This is because after reviewing the Group's production facilities and capabilities, u-blox AG Group have indicated their intention to the Group that they may engage the Group to manufacture some of their own products.

The Directors are of the view that, only the Wireless Communication Modules Business will rely on u-blox AG Group after the Disposal.

However, the Group, as a whole, will not excessively rely on u-blox AG Group, or even that the reliance on u-blox AG Group is very slight. This is because:

- (a) The profit margin of EMS business model is lower than that of the previous business model due to the lower risks involved. The gross profit from the EMS business model will not account for a significant proportion of the Group's entire gross profit in the future.
- (b) It is expected that the Group's high-end ODM handsets business and the intelligent manufacturing business will have significant and rapid growth in the coming years. The Directors believed that the growth of the above two segments should be greater than the impact of the decline in profit margin in the Wireless Communication Modules Business.

The Directors are of the view that, taking into account the transformation in business model and the financial gain resulting from the Disposal, the Board is of the view that Disposal is fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Business model of other business segments of the Group**

The Group will continue to implement its ongoing strategies. The business models of other business segments of the Group are undergoing transformation and upgrading. For example, for the high-end ODM handsets segment, the Group has been transforming from consumer handsets market to high-end industrial application handsets markets. However, these transformations and upgrading are not as a result of the Disposal.

### **Gain or loss arising from the Disposal**

It is expected that the Group will record a gain of approximately HK\$338.7 million from the Disposal, which is calculated with reference to the difference between (i) the aggregate consideration of US\$52.5 million (equivalent to approximately HK\$409.5 million) under the Asset Purchase Agreement and the Technology Assignment Contract and (ii) the aggregate unaudited net book value of the Disposal Assets as at 31 December 2016 of approximately HK\$69.1 million together with the fees and expenses related to the Disposal of approximately HK\$1.7 million. However, as explained above under the paragraph headed “5. ARRANGEMENT FOR THE SMOOTH TRANSITION”, the Group may incur other costs in connection with the Disposal, including but not limited to, cost involved in the employment matters of the existing staff, liability arising from cancellation of unfinished orders and inventory loss, as well as profit tax expenses related to the Disposal, which have not been taken into account in arriving at the disposal gain of approximately HK\$338.7 million. Therefore, the disposal gain is subject to the Disposal Costs which is estimated to account for around 19% to 30% of the total consideration of the Disposal (being approximately HK\$77.8 million to HK\$122.9 million) and the profit tax expenses. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to the final audit to be performed by its auditors.

It is also expected that upon completion of the Disposal, (i) the total assets of the Company will increase by the disposal gain as explained above; and (ii) the total liabilities of the Company will remain unchanged.

### **Use of proceeds**

The Company intends to use the net proceeds of approximately HK\$394.6 million from the Disposal in the following manner:

- (i) as to approximately HK\$112.7 million for upgrading the production facilities of the factory for manufacturing handsets to enhance the competitiveness of the high-end handsets ODM business and redeveloping the production lines and establishing an MES (manufacturing execution system) and intelligent logistics AGV (automatic guided vehicle) system for the Group;
- (ii) as to approximately HK\$135.2 million for further developing the intelligent robotic manufacturing business of the Group by allocating (a) approximately HK\$67.6 million for the working capital and (b) approximately HK\$67.6

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## LETTER FROM THE BOARD

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million for setting up a model intelligent warehouse which is fully automated for the reference for the clients of intelligent robotic manufacturing business, thereby enhancing the storage efficiency and improving the inventory management for the Group;

- (iii) as to approximately HK\$47.3 million for profit tax expenses in relation to the Disposal; and
- (iv) the remaining net proceeds for the general working capital for the Group.

The terms of the Technology Assignment Contract and the Asset Purchase Agreement were determined after arm's length negotiations between the respective parties thereto. Having considered the reasons for and benefits of the Disposal as mentioned above, the Board is of the view that the terms of each of the Technology Assignment Contract and the Asset Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

### 9. IMPLICATIONS UNDER THE LISTING RULES

As the highest percentage ratio of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

### 10. SGM

The SGM will be held at Unit 2402, 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 23 March 2017 at 10 a.m., at which resolution will be proposed to seek Shareholders' approval of the Disposal.

In compliance with the Listing Rules, the resolution will be voted on by way of poll at the SGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no shareholder of the Company has a material interest in the Disposal. As such, no shareholder of the Company and his/her/its close associates is required to abstain from voting at the SGM in respect of the resolution approving the Disposal.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the SGM to the Company's principal place of business at Unit 2908, 29th Floor, 248 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

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## LETTER FROM THE BOARD

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### 11. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Technology Assignment Contract and the Asset Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution to approve the Disposal at the SGM.

### 12. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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



**1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2015, including the notes thereto, have been disclosed in the following documents, which are incorporated by reference into this circular:

- (i) the annual report of the Company for the year ended 31 December 2013 (pages 63 to 180) published on 28 April 2014 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0428/LTN20140428410.pdf>;
- (ii) the annual report of the Company for the year ended 31 December 2014 (pages 67 to 196) published on 29 April 2015 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429616.pdf>; and
- (iii) the annual report of the Company for the year ended 31 December 2015 (pages 71 to 206) published on 27 April 2016 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN20160427304.pdf>

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016, including the notes thereto, have been disclosed in the interim report of the Company for the six months ended 30 June 2016 (pages 15 to 46) published on 23 September 2016 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0923/LTN20160923434.pdf>, which are incorporated by reference into this circular.

The management discussion and analysis of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015 have been disclosed in the annual reports of the Company for the years ended 31 December 2013 (pages 15 to 29), 31 December 2014 (pages 17 to 31), 31 December 2015 (pages 17 to 31) respectively, which are incorporated by reference into this circular. The management discussion and analysis of the Group for the six months ended 30 June 2016 has been disclosed in the interim report of the Company for the six months ended 30 June 2016 (pages 8 to 14), which are incorporated by reference into this circular.

The said annual reports and interim report of the Company are available on the website of the Company at [www.sim.com](http://www.sim.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

## 2. INDEBTEDNESS STATEMENT

### **Borrowings and amount due to a non-controlling shareholder of a subsidiary**

At the close of business on 31 December 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured and unguaranteed bank borrowings of approximately HK\$300.1 million; and unsecured and unguaranteed borrowing due to a non-controlling shareholder of a subsidiary of the Group of approximately HK\$35.6 million.

### **Securities**

The Group's secured and unguaranteed bank loans of approximately HK\$45.1 million were secured by investment properties, property, plant and equipment, and land use rights of the Group.

The Group's secured and unguaranteed discount bills of approximately HK\$255.0 million were secured by bills receivables.

### **Contingent liabilities**

At the close of business on 31 December 2016, the Group had no material contingent liabilities outstanding.

### **Disclaimers**

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantee or material contingent liabilities, at the close of business on 31 December 2016.

Foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 December 2016. The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 31 December 2016.

## 3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the present available resources, cash flows to be generated from the operating activities, the available banking facilities and other borrowing, and the Disposal, the Group will have sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Group have been made up) and up to and including the Latest Practicable Date.

**5. FINANCIAL AND TRADING PROSPECTS**

In relation to the Wireless Communication Modules Business, the Group will reposition itself from a product-oriented manufacturer to an EMS provider by providing to u-blox AG Group procurement, manufacturing to logistics services in relation to the wireless communication module products and GNSS module products after completion of the Disposal. Under the new positioning, the Group will no longer conduct the design and development, sales and marketing for the Wireless Communication Modules business and u-blox AG Group will take up such work. u-blox AG Group will also deliver the relevant information in relation to procurement and production processing to the Group. The Group will then procure the materials, arrange production and ship out the finished products according to the requirements specified by u-blox AG Group.

Barring unforeseen circumstances, it is expected that the gross profit margin for the existing models of the module products which will be manufactured and supplied by the Group as an EMS provider to the u-blox AG Group will decrease substantially as compared to the gross profit margin of the module products sold by the Group to end customers as a product-oriented manufacturer before completion of the Disposal. As to any new products in the future, the gross profit margin will be negotiated between the Group and the u-blox AG Group. The Directors are of the view that, in view of the business repositioning and taking into account the financial gain resulting from the Disposal, the decrease in gross profit margin is reasonable. Please also refer to “Letter from the Board – 8. REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS” for a further discussion of the financial and trading prospects of the Wireless Communication Modules Business.

As for the handset business, most of the profit are expected to come from differentiated handset and industrial application terminals. The shipment to several major domestic and overseas customers will create room for increasing profitability. The Group will continue to secure more high-end differentiated customers and increase investment in industry terminals as it broadens its product range and scope of service. Apart from strengthening close cooperation with its current and industry consumers, our future development strategy for the handset business will be to develop domestic and overseas markets.

The Group’s vending machines offer the potential to optimise the POS (point of sales) burdened with higher expenses but low sales volume and reform the old vending machine payment model, and can also connect to a standardised payment platform, so the Group will also continue to enhance the development of value added business within the intelligent automatic vending machine segment. It will step up its efforts to promote the O2O (online to offline) business and accelerate cooperation within the cloud-based business by working with UnionPay and banks, and use the Group’s vending machine network as a satisfactory high-frequency small amount transaction channel, to promote the new business, hence

providing marketing and channel support for them. Moreover, the Group continues to expand the cloud computing and big data service platform to support its self-developed smart home elderly service systems, health monitoring systems and vehicle anti-theft management systems and to promote these systems in both domestic and overseas markets.

Intelligent manufacturing is the latest business area that the Group has entered. It also offers the great development potential and its efforts over the years have started to bear fruit. The Group intends to increase its investment and expand its business scale into more industrial markets. Furthermore, the Group will develop the industrial internet by increasing investment in areas such as intelligent storage and logistics. In the past, our focus has been placed in replacing workers along production lines with equipment. The Group's direction in the future would be replacing workers handling simple, repetitive and mundane paper-work or desk jobs with robots, visual systems and artificial intelligence, which will increase work efficiency, eliminate human failure or error, and ultimately build an intelligent factory in which operations are digitalised, connected by networks with flexibility as described in Industry 4.0.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules to be notified to the Company and the Stock Exchange.

### Long positions in Shares and underlying Shares

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Wong Cho Tung ("Mr Wong") (Note 1)	Interests in controlled corporations	1,209,084,000	–	1,209,084,000	47.27%
	Beneficial owner	3,098,000	–	<u>3,098,000</u>	<u>0.12%</u>
				<u>1,212,182,000</u>	<u>47.39%</u>
Yeung Man Ying ("Mrs Wong") (Note 2)	Interest in controlled corporation	734,857,000	–	734,857,000	28.73%
	Beneficial owner	3,418,000	–	<u>3,418,000</u>	<u>0.13%</u>
				<u>738,275,000</u>	<u>28.86%</u>

Name of Director	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Chan Tat Wing, Richard	Beneficial owner	–	5,382,000	5,382,000	0.21%
Liu Hong	Beneficial owner	–	1,446,120	1,446,120	0.06%
Liu Jun	Beneficial owner	1,000,000	936,000	1,936,000	0.08%
Tang Rongrong	Beneficial owner	–	4,446,000	4,446,000	0.17%

*Notes:*

- Mr Wong controls more than one-third of the voting power of Info Dynasty Group Limited (“**Info Dynasty**”). Mr Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty in the Company by virtue of Part XV of the SFO. Both Intellipower Investments Limited (“**Intellipower**”) and Simcom Limited (“**Simcom (BVI)**”) are wholly-owned by Mr Wong and he is therefore deemed to be interested in all the 454,227,000 shares and 20,000,000 shares held by Intellipower and Simcom (BVI) respectively in the Company by virtue of Part XV of the SFO respectively.
- Mrs Wong, the spouse of Mr Wong, controls more than one-third of the voting power of Info Dynasty. Mrs Wong is therefore deemed to be interested in all the 734,857,000 shares held by Info Dynasty by virtue of Part XV of the SFO.

### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as was known to any Director, there was no other person who had interest or a short position in the Shares, underlying Shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of the Company.

#### Long positions in Shares

Name of shareholder	Nature of interest	Number of Shares held	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Info Dynasty Group Limited ( <i>Note 1</i> )	Beneficial owner	734,857,000	28.73%
Intellipower Investments Limited ( <i>Note 2</i> )	Beneficial owner	454,227,000	17.76%

*Notes:*

1. The relationship between Info Dynasty and Mr Wong and the relationship between Info Dynasty and Mrs Wong is disclosed under the paragraph headed “2. Disclosure of Interests of Directors and Chief Executive” above.
2. The relationship between Intellipower and Mr Wong and the relationship between Intellipower and Mrs Wong is disclosed under the paragraph headed “2. Disclosure of Interests of Directors and Chief Executive” above.

**4. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the Asset Purchase Agreement;
- (b) the Technology Assignment Contract;
- (c) the Trademark License Agreement; and
- (d) the Leasing Agreements.

**5. DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.)

**6. LITIGATION**

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, none of the members of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. DIRECTORS’ COMPETING INTERESTS**

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors were controlling Shareholders.

**8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS**

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**9. GENERAL**

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit 2908, 29th Floor, 248 Queen's Road East Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong Tik, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours (Saturdays and public holidays excepted) from 9 a.m. to 1 p.m. and from 2 p.m. to 6 p.m. at the principal place of business of the Company at Unit 2908, 29th Floor, 248 Queen's Road East Wanchai Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (c) the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (d) this circular.



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## NOTICE OF SGM

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**SIM Technology**

### **SIM Technology Group Limited**

**晨訊科技集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2000)**

### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the special general meeting of SIM Technology Group Limited (“**Company**”) will be held at 10 a.m. on Thursday, 23 March 2017 at Unit 2402, 24th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution.

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the technology assignment contract dated 20 January 2017 entered into between SIM Technology Group (BVI) Limited and u-blox AG in relation to the assignment of the Patents and Software Copyrights (as defined in the circular of the Company dated 28 February 2017 (“**Circular**”), a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) (“**Technology Assignment Contract**”) (a copy of the Technology Assignment Contract is marked “B” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the asset purchase agreement dated 20 January 2017 entered into among SIM Technology Group (BVI) Limited, Shanghai Simcom Electronic Limited, Shanghai Simcom Wireless Solutions Limited as vendors and u-blox AG as purchaser in relation to the sale and purchase of the Tangible Assets, Patent Application Rights and Technical Secrets (all as defined in the Circular) (“**Asset Purchase Agreement**”) (a copy of the Asset Purchase Agreement is marked “C” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) any one of the directors (“**Directors**”) of the Company be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable and expedient for the

\* *For identification purposes only*

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## NOTICE OF SGM

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purposes of giving effect to or in connection with the Technology Assignment Contract, the Asset Purchase Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Technology Assignment Contract and the Asset Purchase Agreement) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 28 February 2017

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal Place of business  
in Hong Kong:*  
Unit 2908, 29th Floor  
248 Queen’s Road East  
Wanchai  
Hong Kong

*Notes:*

- (1) Any member of the Company holding two or more Shares entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, vote in his/her/its stead. A proxy needs not be a member of the Company.
- (2) In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the person, whether attending in person or by proxy, whose name stands first on the register of members of the Company in respect of such Share shall be accepted to the exclusion of the vote(s) of the other joint holder(s).
- (3) To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s principal place of business in Hong Kong at Unit 2908, 29th Floor, 248 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the above meeting (or any adjournment thereof). Completion and return of the form of proxy will not preclude any member from attending and voting at the above meeting (or any adjournment thereof) in person.

As at the date of this notice, the executive Directors are Ms Yeung Man Ying, Mr Wong Cho Tung, Ms Tang Rongrong, Mr Chan Tat Wing, Richard, Mr Liu Hong and Mr Liu Jun; and the independent non-executive Directors are Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting.