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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)

MAJOR TRANSACTION: DISPOSAL OF TECHNOLOGY AND ASSETS IN RELATION TO WIRELESS COMMUNICATION MODULES BUSINESS

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 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 the substantial loss to the Group arising from the Disposal, such as the staff layoff cost, 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 procure 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.

However, in any case, u-blox AG is not obliged to assume all the loss that the Group may incur in connection with the staff layoff cost, the liability arising from cancellation of unfinished orders and the inventory loss. Therefore, the Group may incur certain costs in connection with the Disposal.

LISTING RULES IMPLICATION

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. Therefore, the effectiveness of the Technology Assignment Contract and the Asset Purchase Agreement are subject to the approval by the Shareholders at the SGM.

THE SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the purpose of considering, and if thought fit, approving, among other things, the Disposal.

A circular containing, among other things, further information on the Disposal, the Technology Assignment Contract, the Asset Purchase Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 28 February 2017 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

On 20 January 2017 (after trading hours), (i) SIM Technology (BVI) and u-blox AG entered into the Technology Assignment Contract; and (ii) the Asset Vendors and u-blox AG entered into the Asset Purchase Agreement, the principal terms of which are set out below.

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 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 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.

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

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) 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;
- (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 Office of the PRC;
- (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.

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. Also, it is proposed that 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 pursuant to the Supply Agreement.

ARRANGEMENT FOR THE SMOOTH TRANSITION

In order to avoid the substantial loss to the Group arising from the Disposal, such as the staff layoff cost, the liability arising from cancellation of unfinished orders and the inventory loss, the following arrangement has been put in place. However, in any case, u-blox AG is not obliged to assume all the loss that the Group may incur in connection with the staff layoff cost, the liability arising from cancellation of unfinished orders and the inventory loss. Therefore, the Group may incur certain costs in connection with the Disposal.

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 procure them to enter into employment contracts with u-blox AG.

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.

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.

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.

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.

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.

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; (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.

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.

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).

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 be 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 (together with its subsidiaries) is principally engaged in the development and sale of positioning and wireless semiconductors and modules for the automotive, industrial and consumer markets.

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:

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

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

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.

However, since the Wireless Communication Modules Business involves production of the Group's own-branded products, it is product-oriented manufacturing after all. It is expected that, after completion of the Disposal, the scale of the Wireless Communication Modules Business will remain similar but the nature will change from the production of the Group's own-branded modules as a product-oriented manufacturer to the provision of EMS (electronics manufacturing services) as a service-oriented provider (i.e. from procurement logistics to manufacturing).

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 together with the costs related to the Disposal. However, the Group may incur other costs in connection with the Disposal, including but not limited to staff layoff cost, liability arising from cancellation of unfinished orders and inventory loss. 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.

The Company intends to use the net proceeds from the Disposal for (i) upgrading the production facilities of the factory for manufacturing handsets to enhance the competitiveness of the high-end handsets ODM (original design manufacturing) business and redeveloping the production lines and establishing an automatic intelligent warehouse for the Group; and (ii) further developing the intelligent robotic manufacturing business of the Group by increasing the working capital and setting up a model intelligent warehouse for the reference for the clients of intelligent robotic manufacturing business, thereby enhancing the storage efficiency and improving the inventory management 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.

IMPLICATIONS UNDER THE LISTING RULES

As the highest percentage ratio of the Disposal exceeds 25% but is less than 75%, the Disposal constitute 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.

THE SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the purpose of considering, and if thought fit, approving, among other things, the Disposal.

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 is required to abstain from voting at the SGM in respect of the resolution approving the Disposal.

A circular containing, among other things, further information on the Disposal, the Technology Assignment Contract, the Asset Purchase Agreement and the transactions contemplated thereunder and other information as required under the Listing Rules together with a notice of the SGM and a form of proxy will be despatched to the Shareholders on or before 28 February 2017 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions shall have the following meanings when used herein:

“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)
“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 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
“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 in SIM Building 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 announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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
“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
“SGM”	the special general meeting of the Company to be convened and held 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可), 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可), 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可), 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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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, a 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

“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 announcement, 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.

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

22 January 2017

As of the date of this announcement, 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 of the Company are Mr Liu Hing Hung, Mr Xie Linzhen and Mr Dong Yunting.

* *For identification purpose only*