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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)

PROFIT WARNING

This announcement is made by SIM Technology Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (“**Board**”) wishes to inform the shareholders (“**Shareholders**”) and potential investors of the Company that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022 (“**FY2022**”) and information currently available to the Company, the Group is expected to record loss attributable to the owners of the Company from continuing operations for FY2022 in the range of approximately HK\$450.0 million to HK\$550.0 million, as compared to the loss attributable to the owners of the Company from continuing operations of approximately HK\$236.6 million recorded for the year ended 31 December 2021 (“**FY2021**”).

The Board considers that such substantial increase in loss was principally attributable to the following factors:

- (i) The pandemic has continued to affect the local economic environment adversely in FY2022 and the levels of turnover and average gross profit margin failed to reach the expected levels.
- (ii) In the past two years, the Group has recruited a new management team and formulated a very aggressive development plan. To this end, the Group has built up a huge human

resources structure and recruited many highly professional and experienced talents from the industry. At the same time, the Group also increased the salary and bonuses of some existing employees. As a result, R&D expenses, selling and distribution costs and administrative expenses increased significantly. However, due to the impact of the pandemic and global economic recession, the huge structure and expensive staff costs have not brought returns to the Group. In order to cope with the severe situation, the Group adjusted the top management team again, and optimized the management structure and personnel in a timely manner so as to reduce staff costs. In FY2022, the Group has paid a significant amount of compensation for the human resources optimization in accordance with the PRC laws.

- (iii) The Board considered that there was indication for impairment in long-term assets of the Handsets and IOT terminal business and EMS business, and impairment loss on intangible assets, property, plant and equipment and right-of-use asset relating to Handsets and IOT terminals business and certain receivables will be made for FY2022.
- (iv) There was fluctuation in the exchange rate of RMB against US dollars in FY2022.

The information contained in this announcement is only based on a preliminary assessment by the Board with reference to the unaudited consolidated management accounts of the Group for FY2022 and information currently available to the Company, and is not based on any figures or information which have been audited or reviewed by the Company's auditors. There may be changes or adjustments following further review of the unaudited management accounts for FY2022 by the Board.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

19 January 2023

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

** For identification purposes only*