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**SMIT HOLDINGS LIMITED**

**國微控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2239)**

**CONTINUING CONNECTED TRANSACTION  
TENANCY AGREEMENT AND  
PROPERTY MANAGEMENT SERVICES AGREEMENT AND  
TERMINATION OF SSMEC TENANCY AGREEMENT**

Reference is made to the announcements of the Company (i) dated 26 March 2018 regarding the SSMEC Tenancy Agreement; and (ii) dated 14 December 2018 regarding the Original Tenancy Agreement and the Original Property Management Services Agreement.

As disclosed in the announcement of the Company dated 14 December 2018, the Original Tenancy Agreement and the Original Property Management Services Agreement were due to expire on 14 June 2019. In addition, as part of the Group's review of the its current leasing arrangements in Shenzhen, the SSMEC Tenancy Agreement was terminated on 31 May 2019 with immediate effect.

The Board announces that on 14 June 2019, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the New Tenancy Agreement for a term of one year with Shenzhen Digital TV, a connected person of the Company. On the same date, SMIT Shenzhen entered into the New Property Management Services Agreement with Shenzhen Digital TV and Shenzhen Excellence, an independent third party property management company and not connected to the Company.

Shenzhen Digital TV is a connected person of the Company as it is controlled as to 65.62% by Qianhai Guowei, which in turn is wholly-owned by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company. Accordingly, the transactions contemplated under the New Tenancy Agreement and New Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the annual caps for the New Tenancy Agreement and the New Property Management Services Agreement on aggregated basis (when aggregated with the Original Guoshi Annual Cap and Revised SSMEC Annual Cap) is more than 0.1% but less than 5%, the transactions contemplated under the New Tenancy Agreement and New Property Management Services Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

Reference is made to the announcements of the Company (i) dated 26 March 2018 regarding the SSMEC Tenancy Agreement; and (ii) dated 14 December 2018 regarding the Original Tenancy Agreement and the Original Property Management Services Agreement.

As disclosed in the announcement of the Company dated 14 December 2018, the Original Tenancy Agreement and the Original Property Management Services Agreement were due to expire on 14 June 2019. In addition, as part of the Group's review of its current leasing arrangements in Shenzhen, the SSMEC Tenancy Agreement was terminated on 31 May 2019 with immediate effect.

The Board announces that on 14 June 2019, SMIT Shenzhen, a wholly-owned subsidiary of the Company entered into the New Tenancy Agreement for a term of one year with Shenzhen Digital TV, a connected person of the Company.

## THE NEW TENANCY AGREEMENT

The principal terms of the New Tenancy Agreement are set out as follows:

1. **Date:** 14 June 2019
2. **Parties:**
  - (i) SMIT Shenzhen, as tenant
  - (ii) Shenzhen Digital TV, as landlord
3. **Premises:** Part of 1st floor, 14th, 15th and 22nd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. **Gross floor area:** Approximately 4,696.92 square meters

5. **Term:** 1 year, from 15 June 2019 to 14 June 2020 (both days inclusive)
6. **Rent:** RMB962,868.6 per month (the “**Rent**”)

## **THE NEW PROPERTY MANAGEMENT SERVICES AGREEMENT**

On the same date as the New Tenancy Agreement, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into a tripartite New Property Management Services Agreement with Shenzhen Digital TV, a connected person of the Company, and Shenzhen Excellence, an independent third party property management service provider in respect of the Premises.

The principal terms of the New Property Management Services Agreement are set out as follows:

1. **Date:** 14 June 2019
2. **Parties:** (i) SMIT Shenzhen  
(ii) Shenzhen Digital TV  
(iii) Shenzhen Excellence
3. **Premises:** Part of 1st floor, 14th, 15th and 22nd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. **Term:** 1 year, from 15 June 2019 to 14 June 2020 (both days inclusive)
5. **Management Fees payable to Shenzhen Digital TV:** (i) Management fees at the rate of RMB16 per square meter per month  
(ii) Air-conditioning fees at the rate of RMB7.64 per square meter per month  
(iii) Other miscellaneous property maintenance fees (including utilities fees) estimated at RMB150,000 per month (collectively, the “**Management Fees**”)

## **TERMINATION OF SSMEC TENANCY AGREEMENT**

As part of the Group's review of its current leasing arrangements and its plan to centralize its Shenzhen office into the Premises for better efficiency and synergy, SMIT Shenzhen and State Micro Science and Technology (an associate of Mr. Huang Xueliang) terminated the SSMEC Tenancy Agreement on 31 May 2019 with immediate effect. As a result of the termination, SMIT Shenzhen will be discharged from its payment and obligations under the SSMEC Tenancy Agreement; and neither SMIT Shenzhen nor State Micro Science and Technology would have any claims against each other as a result of the termination of the SSMEC Tenancy Agreement.

As disclosed in the Company's announcement dated 26 March 2018, the annual caps for the SSMEC Tenancy Agreement were RMB3,883,126.5, RMB5,177,502, RMB5,177,502 and RMB1,294,375.5 for the period from 1 April 2018 to 31 December 2018, the financial year ending 31 December 2019, the financial year ending 31 December 2020 and the period from 1 January 2021 to 31 March 2021 respectively. As a result of the termination of the SSMEC Tenancy Agreement, the annual cap for the SSMEC Tenancy Agreement for the financial year ending 31 December 2020 and for the period from 1 January 2021 to 31 March 2021 will be cancelled and the annual cap for the financial year ending 31 December 2019 would be reduced on a pro rata basis to RMB2,157,292.5 for the period from 1 January 2019 to 31 May 2019 (the "**Revised SSMEC Annual Cap**").

## **BASIS OF DETERMINATION OF THE RENT AND THE MANAGEMENT FEES**

The terms of the New Tenancy Agreement and the New Property Services Management Agreement, including the Rent and the Management Fees, have been determined after arm's length negotiation between the parties with reference to (i) prevailing market rates for similar properties (e.g. with respect to floor space and age of the building) in the vicinity, (ii) the rent guidelines set out in the city housing tenancy management department policy of Shenzhen, the PRC, (iii) the estimated area of the Premises and the total number of employees working in the Premises; and (iv) prevailing market rates of property management service, the total floor area of the premises, the number of employees working in the premises as well as the estimated use of utilities and other property management services.

## **ANNUAL CAP**

During the subsistence of the New Tenancy Agreement and New Property Management Services Agreement, the maximum aggregate of Rent and Management Fees will not exceed the following caps:

**For the financial year ending 31  
December 2019**

RMB13,606,227.24

**For the period from 1 January 2020  
to 14 June 2020**

RMB6,731,470.84

The caps above are determined with reference to (i) the total Rent payable under the New Tenancy Agreement; (ii) the total estimated Management Fees payable under the New Property Management Services Agreement; (iii) the annual cap for the Original Tenancy Agreement and the Original Property Management Services Agreement from 1 January 2019 to 14 June 2019 (the “**Original Guoshi Annual Cap**”); and (iv) the Revised SSMEC Annual Cap.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW TENANCY AGREEMENT AND THE NEW PROPERTY MANAGEMENT SERVICES AGREEMENT**

The Group has been reviewing its existing rental arrangements in Shenzhen and considered to centralize its Shenzhen offices into one single location for better efficiency and synergy. As such, the Group decided to terminate the SSMEC Tenancy Agreement. In addition, the Original Tenancy Agreement and the Original Property Management Services Agreement were due to expire on 14 June 2019. As such, the Group entered into the New Tenancy Agreement and the New Property Management Services Agreement to locate its Shenzhen offices to the Premises.

The Directors (including the independent non-executive Directors and excluding Mr. Huang Xueliang, who has abstained from voting on the relevant resolutions approving the New Tenancy Agreement and New Property Management Services Agreement) are of the view that the two agreements allow the Group to consolidate its operations in Shenzhen to one single location, and that the two agreements were entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the New Tenancy Agreement and the New Property Management Services Agreement, including the Rent and the Management Fees, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Except for Mr. Huang Xueliang, none of the Directors have a material interest in the transactions contemplated under the New Tenancy Agreement and New Property Management Services Agreement and are required to abstain from voting.

## **INFORMATION ON THE COMPANY AND THE PARTIES TO THE NEW TENANCY AGREEMENT AND NEW PROPERTY MANAGEMENT SERVICES AGREEMENT**

The Company is a company incorporated in the Cayman Islands with limited liability. Its principal function is investment holding.

SMIT Shenzhen is a wholly-owned subsidiary of the Company established in the PRC with limited liability. It is the Company's principal operating subsidiary in the PRC and is primarily engaged in the business of designing, developing and marketing security devices such as CAMs (for the paid TV industry) and mPOS devices (for the mobile payment market) and the development of full process electronic design automation system for chip design.

Shenzhen Digital TV is a company engaged in the research and development of digital TV related technology. Shenzhen Digital TV is indirectly owned as to approximately 65.62% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company.

Shenzhen Excellence is a company engaged in providing property management related services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shenzhen Excellence and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

Shenzhen Digital TV is a connected person of the Company as it is controlled as to 65.62% by Qianhai Guowei, a company established in the PRC which in turn is owned as to 100% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company. Accordingly, the transactions contemplated under the New Tenancy Agreement and New Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the annual caps for the New Tenancy Agreement and the New Property Management Services Agreement on aggregated basis (when aggregated with the Original Guoshi Annual Cap and Revised SSMEC Annual Cap) is more than 0.1% but less than 5%, the transactions contemplated under

the New Tenancy Agreement and New Property Management Services Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	SMIT Holdings Limited (國微控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2239)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Property Management Services Agreement”	the property management services agreement dated 14 June 2019 entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellence
“New Tenancy Agreement”	the tenancy agreement dated 14 June 2019 entered into between SMIT Shenzhen and Shenzhen Digital TV
“Original Property Management Services Agreement”	the property management services agreement dated 14 December 2018 entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellence in relation to 22nd and 23rd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen, expired on 14 June 2019
“Original Tenancy Agreement”	the tenancy agreement dated 14 December 2018 entered into between SMIT Shenzhen and Shenzhen Digital TV in relation to 22nd and 23rd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen, expired on 14 June 2019

“PRC”	the People’s Republic of China, which shall, for the purposes of this announcement, exclude Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“Premises”	Part of 1st floor, 14th, 15th and 22nd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
“Qianhai Guowei”	Shenzhen Qianhai Guowei Investment Co., Ltd.* (深圳前海國微投資有限公司), a company established under the laws of the PRC with limited liability and a connected person of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Digital TV”	Shenzhen Digital TV National Engineering Laboratory Co., Ltd.* (深圳數字電視國家工程實驗室股份有限公司), a company established under the laws of the PRC with limited liability
“Shenzhen Excellence”	Shenzhen Excellence Property Management Co., Ltd* (深圳市卓越物業管理股份有限公司), a company established under the laws of the PRC with limited liability
“SMIT Shenzhen”	Shenzhen State Micro Technology Co., Ltd* (國微集團(深圳)有限公司) (formerly known 深圳國微技術有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“SSMEC Tenancy Agreement”	the tenancy agreement entered into between SMIT Shenzhen and State Micro Science and Technology on 26 March 2018
“State Micro Science and Technology”	Shenzhen State Micro Science and Technology Co., Ltd* (深圳市國微科技有限公司), a company incorporated under the laws of the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent



*In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “percentage ratio(s)”, “substantial shareholder(s)” and subsidiary(ies)”, shall have the meaning given to such terms in the Listing Rules.*

By order of the Board  
**SMIT Holdings Limited**  
**Huang Xueliang**  
*Chairman*

Hong Kong, 14 June 2019

*As at the date of this announcement, the executive Directors are Mr. Huang Xueliang (chairman and chief executive officer), Mr. Shuai Hongyu and Mr. Loong, Manfred Man-tsun; the non-executive Directors are Mr. Kwan, Allan Chung-yuen and Mr. Gao Songtao; and the independent non-executive Directors are Mr. Zhang Junjie, Mr. Woo Kar Tung, Raymond and Mr. Jin Yufeng.*

\* *For identification purpose only*