
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 SMIT Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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
PROPERTY LEASING FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and the
Independent Shareholders**

MESSIS  **大有融資**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 12 to 13 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 23 of this circular.

A notice convening the EGM to be held at No. 1 Meeting Room, 22F, Guoshi Building, No. 1801 Shahexi Road, Nanshan District, Shenzhen, PRC, at 4:00 p.m. on Friday, 6 December 2019, is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

18 November 2019

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DEFINITIONS

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

“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
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Property Leasing Framework Agreement and the transactions contemplated thereunder
“Existing Premises”	part of 1st floor, 14th, 15th and 22nd floors of the Shenzhen Property, to which the Existing Tenancy Agreement and the Existing Property Management Services Agreement relate
“Existing Property Management Services Agreement”	the property management services agreement dated 14 June 2019 entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellence in relation to the property management of the Existing Premises
“Existing Tenancy Agreement”	the tenancy agreement dated 14 June 2019 entered into between SMIT Shenzhen and Shenzhen Digital TV in relation to the leasing of the Existing Premises
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the committee of all the independent non-executive Directors, consisting of Mr. Zhang Junjie, Mr. Woo Kar Tung, Raymond and Mr. Jin Yufeng, which has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Property Leasing Framework Agreement and the proposed annual caps
“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Property Leasing Framework Agreement and the proposed annual caps
“Independent Shareholders”	Shareholder(s) other than Mr. Huang and his associates
“Latest Practicable Date”	11 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Huang”	Mr. Huang Xueliang (黃學良), the chairman, chief executive office, executive Director and controlling shareholder of the Company
“PRC”	The People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Leasing Framework Agreement”	the property leasing framework agreement dated 29 October 2019 entered into between SMIT Shenzhen and Mr. Huang in relation to the leasing of certain premises in the Shanghai Property and the Shenzhen Property
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Shanghai Guo Wei”	Shanghai Guo Wei Industrial Development Co., Ltd.* (上海國微實業發展有限公司), a company established under the laws of the PRC with limited liability
“Shanghai Property”	an office building located at No. 2555 Xiupu Road, Pudong New Area, Shanghai, and owned by Shanghai Guo Wei
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“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
“Shenzhen Property”	Guoshi Building, an office building located at No. 1801 Shahe West Road, Nanshan District, Shenzhen, and owned by Shenzhen Digital TV
“SMIT Shenzhen”	Shenzhen State Micro Technology Co., Ltd.* (國微集團(深圳)有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* For identification purpose only

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

LETTER FROM THE BOARD



SMIT Holdings Limited

國微控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

Executive Directors:

Mr. Huang Xueliang (*chairman*)
Mr. Shuai Hongyu
Mr. Loong, Manfred Man-tsun

Non-executive Directors:

Mr. Kwan, Allan Chung-yuen
Mr. Gao Songtao

Independent Non-executive Directors:

Mr. Zhang Junjie
Mr. Woo Kar Tung, Raymond
Mr. Jin Yufeng

Registered office in the Cayman Islands:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business in the PRC:

22F, Guoshi Building
No. 1801 Shahe Road
Nanshan District
Shenzhen, PRC

*Headquarters and principal place of business
in Hong Kong:*

1/F, Harbour View 2
16 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories
Hong Kong

18 November 2019

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTION
PROPERTY LEASING FRAMEWORK AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 29 October 2019 in relation to, inter alia, the Property Leasing Framework Agreement and the announcement dated 14 June 2019 in relation to, inter alia, the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

LETTER FROM THE BOARD

On 29 October 2019, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the Property Leasing Framework Agreement with Mr. Huang, pursuant to which SMIT Shenzhen (or its subsidiaries) may further enter into tenancy agreements (each for a term of one year or less) with Shanghai Guo Wei or Shenzhen Digital TV, each a company controlled by Mr. Huang, in relation to the leasing of certain office premises in the Shanghai Property and the Shenzhen Property respectively.

On 14 June 2019, SMIT Shenzhen entered into the Existing Tenancy Agreement for a term of one year with Shenzhen Digital TV in relation to the leasing of the Existing Premises. On the same date, SMIT Shenzhen entered into the Existing Property Management Services Agreement with Shenzhen Digital TV and Shenzhen Excellence in relation to the property management of the Existing Premises. The Existing Tenancy Agreement and the Existing Property Management Services Agreement are due to expire on 14 June 2020, and it is expected that any further leasing of the Existing Premises (which is located in the Shenzhen Property) will be governed by the terms of the Property Leasing Framework Agreement.

The purpose of this circular is to provide you with (i) details of the Property Leasing Framework Agreement, (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Property Leasing Framework Agreement and the transactions contemplated thereunder, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Property Leasing Framework Agreement and the transactions contemplated thereunder and (iv) the notice of EGM.

2. PROPERTY LEASING FRAMEWORK AGREEMENT

The principal terms of the Property Leasing Framework Agreement are set out as follows:

Date:	29 October 2019
Parties:	(i) Mr. Huang (ii) SMIT Shenzhen
Term:	3 years, from 1 January 2020 to 31 December 2022 (both days inclusive)
Subject:	The Property Leasing Framework Agreement sets out a framework of the terms on which SMIT Shenzhen (or its subsidiaries) may further enter into tenancy agreements (each for a term of one year or less) with Shanghai Guo Wei or Shenzhen Digital TV, each a company controlled by Mr. Huang, in relation to the leasing of certain premises in the Shanghai Property and the Shenzhen Property respectively.

LETTER FROM THE BOARD

Pricing Standard: Shenzhen Property

Monthly rent: RMB162 per sq.m.

Management fees

Property management fees: RMB16 per sq.m. per month

Air conditioning fees: RMB7.25 per sq.m. per month

Miscellaneous property maintenance fees (e.g. utilities fees): To be charged based on the usage of SMIT Shenzhen in the Shenzhen Property at cost

Shanghai Property

Monthly rent: RMB90 per sq.m.

All property management fees in relation to the Shanghai Property will be paid directly to a property management company, an independent third party. As such, property management fees will not be covered under the Property Leasing Framework Agreement.

The terms of the Property Leasing Framework Agreement, including the rents 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 and the potential change in market value, (ii) prevailing market rates of air conditioning fee and property management services for comparable premises, and (iii) the historical amount of rents and management fees payable under the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

Annual Caps and Historical Figures

During the subsistence of the Property Leasing Framework Agreement, the maximum aggregate rents and management fees will not exceed the following caps:

	For the financial year ending 31 December 2020	For the financial year ending 31 December 2021	For the financial year ending 31 December 2022
Proposed annual caps ^(Note)	RMB23,000,000	RMB22,000,000	RMB22,000,000

Note: The proposed annual cap for the financial year ending 31 December 2020 includes the leasing of the Existing Premises (which is located in the Shenzhen Property) governed by the Existing Tenancy Agreement and the Existing Property Management Services Agreement. In addition, the proposed annual caps for the financial years ending 31 December 2021 and 31 December 2022 have taken into account the potential leasing of the Existing Premises after the expiration of the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

LETTER FROM THE BOARD

The annual caps above are determined with reference to (i) the estimated gross floor area of the relevant premises in the Shanghai Property (approximately 5,100 sq.m.) and the Shenzhen Property (approximately 6,185.5 sq.m.) required for the operation of the Group; (ii) the rent payable in accordance with the pricing standard under the Property Leasing Framework Agreement; and (iii) the total estimated management fees payable in accordance with the pricing standard under the Property Leasing Framework Agreement.

For the financial year ended 31 December 2018 and the nine months ended 30 September 2019, the total rents and management fees paid, in relation to the leasing and property management from Mr. Huang and his associates, were approximately RMB5,148,000 and RMB7,465,000 respectively.

Internal control measures

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Property Leasing Framework Agreement accord with the pricing policies and the terms of the Property Leasing Framework Agreement, are fair and reasonable and are no less favourable than those offered by independent third parties in their ordinary course of business.

Listed below are the major internal control measures which will be taken by such personnel of the Group who will be independent from Mr. Huang and his associates:

- The operation department will prepare the tenancy agreements within the Property Leasing Framework Agreement which will be reviewed by the legal department and subject to the approval of the chief financial officer. Such tenancy agreements will also be provided to the finance department to monitor and ensure timely rent payment and consistency of terms between the tenancy agreements and the Property Leasing Framework Agreement.
- Before a new tenancy agreement within the Property Leasing Framework Agreement is entered into, the finance department of the Company will obtain the prevailing market level for rental and miscellaneous expenses from the operation department for comparison to assess the reasonableness of the monthly rent offered under the Property Leasing Framework Agreement.
- The finance department and the audit committee of the Company will review the pricing policies under the Property Leasing Framework Agreement bi-annually, respectively, in order to ensure that such pricing policies are comparable to those adopted for determining rents payable for similar premises leased by independent third parties.

LETTER FROM THE BOARD

- The independent non-executive Directors will conduct an annual review of leases entered into under the Property Leasing Framework Agreement during the preceding financial year and ensure that the Company complies with the Listing Rules requirement of disclosing the transaction amounts and terms of the relevant leases in the annual report, and to further ensure that the relevant leases are entered into in the ordinary and usual course of business, are fair and reasonable, and in the interest of the Shareholders as a whole.
- The executive Directors will closely monitor the rent and management fees paid or payable pursuant to the Property Leasing Framework Agreement on a quarterly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.

3. GENERAL INFORMATION ON THE PARTIES TO THE PROPERTY LEASING FRAMEWORK AGREEMENT

The Company

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

SMIT Shenzhen

SMIT Shenzhen is a wholly-owned subsidiary of the Company incorporated 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 electronic design automation, rapid verification system and software and designing, developing and marketing security devices such as CAMs (for the paid TV industry) and mPOS devices (for the mobile payment market).

Mr. Huang

Mr. Huang is the chairman, chief executive office, executive Director and controlling shareholder of the Company. Mr. Huang holds approximately 65.62% indirect interest in Shenzhen Digital TV which owns the Shenzhen Property. He also holds approximately 99% indirect interest in Shanghai Guo Wei which owns the Shanghai Property. Mr. Huang is a connected person of the Company under Rule 14A.07 of the Listing Rules.

4. REASONS FOR ENTERING INTO THE PROPERTY LEASING FRAMEWORK AGREEMENT

The Group is a leading security devices provider globally for pay-TV broadcasting access. It has been actively seeking new business opportunities in order to expand and diversify its business. The Group obtained requisite approval from the PRC Central Government for the implementation of the national science and technology project of "Development and

LETTER FROM THE BOARD

Application of Full Process Electronic Design Automation System for Chip Design” in 2018. It is expected that the Group will continue to grasp opportunities for the development of the domestic integrated circuit industry and develop its electronic design automation business in the PRC.

The lease transactions contemplated under the Property Leasing Framework Agreement will enable the Group to secure stable and flexible leasing arrangement of suitable office space for its expansion plan of the Shenzhen office as well as Shanghai office which will become the Group’s base for attracting new research and development talents from the region and expand the Group’s presence in the PRC.

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee, but excluding Mr. Huang) and the Independent Financial Adviser are of the view that the Property Leasing Framework Agreement caters for the Company’s business needs in view of its development plan, and that the agreement was entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Property Leasing Framework Agreement, including the pricing standard of the rent, the management fees and proposed annual caps, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Except for Mr. Huang, none of the Directors has a material interest in the transactions contemplated under the Property Leasing Framework Agreement and are required to abstain from voting.

5. LISTING RULES IMPLICATIONS

Mr. Huang is a connected person of the Company under Rule 14A.07 of the Listing Rules as he is an executive Director and a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps exceeds 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

The Property Leasing Framework Agreement is conditional on the approval by the Independent Shareholders being obtained at the EGM.

An EGM will be convened by the Company with a view to seek approval of the Independent Shareholders for the Property Leasing Framework Agreement and the proposed annual caps in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

6. EGM

The EGM will be convened and held at No. 1 Meeting Room, 22F, Guoshi Building, No. 1801 Shahexi Road, Nanshan District, Shenzhen, PRC, at 4:00 p.m. on Friday, 6 December 2019, for the purpose of considering and, if thought fit, approving, among other things, the Property Leasing Framework Agreement and the transactions contemplated thereunder.

The notice of EGM is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

For determining the entitlement to attend and vote at the EGM, the transfer books and register of members will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 2 December 2019.

Votes on the resolution to be considered at the EGM shall be taken by poll. As at the Latest Practicable Date, Mr. Huang was interested in 5,043,624 Shares and also held 100% interest in Green Flourish Limited, 100% interest in Infortune International Limited and 50% interest in Statemicroelectronics International Co., Ltd., while Green Flourish Limited, Infortune International Limited and Statemicroelectronics International Co., Ltd. (each an associate of Mr. Huang pursuant to Rule 14A of the Listing Rules) were interested in 128,656,454 Shares, 13,965,149 Shares and 15,957,463 Shares respectively. As Mr. Huang has material interest in the Property Leasing Framework Agreement, each of Mr. Huang, Green Flourish Limited, Infortune International Limited and Statemicroelectronics International Co., Ltd. will abstain from voting on the resolution in relation to the transactions contemplated under Property Leasing Framework Agreement at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Mr. Huang and his associates, no Shareholder has a material interest in the resolution in respect of the transactions contemplated under the Property Leasing Framework Agreement or is required to abstain from voting on the resolution to be proposed at the EGM.

LETTER FROM THE BOARD

7. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 12 to 13 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Property Leasing Framework Agreement and the transactions contemplated thereunder, and (ii) the letter from the Independent Financial Adviser set out on pages 14 to 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Property Leasing Framework Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at its advice.

Except for Mr. Huang, none of the Directors has a material interest in the transactions contemplated under the Property Leasing Framework Agreement or is required to abstain from voting on the board resolution approving the Property Leasing Framework Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee, but excluding Mr. Huang) consider that the Property Leasing Framework Agreement is entered into in the ordinary and usual course of business of the Group and conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; and the terms of which together with the proposed annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Property Leasing Framework Agreement and the transactions contemplated thereunder.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman



SMIT Holdings Limited

國微控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

Independent Board Committee:

Mr. Zhang Junjie

Mr. Woo Kar Tung, Raymond

Mr. Jin Yufeng

18 November 2019

To the Independent Shareholders:

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTION
PROPERTY LEASING FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 18 November 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give you our recommendation in respect of the Property Leasing Framework Agreement, the transactions contemplated thereunder and the proposed annual caps. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the advice of Messis Capital Limited, together with the principal factors and reasons they have taken into account, are contained in their letter set out on pages 14 to 23 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

RECOMMENDATION

Having considered (i) the terms of the Property Leasing Framework Agreement, (ii) the reasons for the proposed annual caps and the basis upon which the proposed annual caps have been determined in respect of the Property Leasing Framework Agreement, and (iii) the advice given by Messis Capital Limited, we are of the view that the Property Leasing Framework Agreement is entered into in the ordinary and usual course of business of the Group and conducted on normal commercial terms, or on terms no less favourable than those available to

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

or from independent third parties under prevailing local market conditions; and the terms of which together with the proposed annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in relation to the Property Leasing Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Zhang Junjie
Independent
Non-executive Director

Mr. Woo Kar Tung, Raymond
Independent
Non-executive Director

Mr. Jin Yufeng
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions.



18 November 2019

*To: The Independent Board Committee and the Independent Shareholders of
SMIT Holdings Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PROPERTY LEASING FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the Property Leasing Framework Agreement and the transactions contemplated thereunder, together with the proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 18 November 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 29 October 2019 in relation to, inter alia, the Property Leasing Framework Agreement and the announcement dated 14 June 2019 in relation to, inter alia, the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

As at the Latest Practicable Date, Mr. Huang, is the chairman, chief executive office, executive Director and controlling shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As Mr. Huang holds (i) approximately 65.62% indirect interest in Shenzhen Digital TV which owns the Shenzhen Property and (ii) approximately 99% indirect interest in Shanghai Guo Wei which owns the Shanghai Property, the transactions contemplated under the Property Leasing Framework Agreement would therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps exceeds 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee (comprising all independent non-executive Directors), namely, Mr. Zhang Junjie, Mr. Woo Kar Tung, Raymond and Mr. Jin Yufeng has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Property Leasing Framework Agreement and the transactions contemplated thereunder, together with the proposed annual caps. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we have not been appointed as an independent financial adviser for the Company. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 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 Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Property Leasing Framework Agreement.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Property Leasing Framework Agreement and the transactions contemplated thereunder, together with the proposed annual caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing whether the terms of the Property Leasing Framework Agreement are on normal commercial terms and are fair and reasonable as the Independent Shareholders are concerned, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Property Leasing Framework Agreement

The Group is a leading security devices provider globally for pay-TV broadcasting access. It has been actively seeking new business opportunities in order to expand and diversify its business. The Group obtained requisite approval from the PRC Central Government for the implementation of the national science and technology project of “Development and Application of Full Process Electronic Design Automation System for Chip Design” in 2018. It is expected that the Group will continue to grasp opportunities for the development of the domestic integrated circuit industry and develop its electronic design automation business in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, it is expected that the lease transactions contemplated under the Property Leasing Framework Agreement will enable the Group to secure stable and flexible leasing arrangement of suitable office space for its expansion plan of the Shenzhen office as well as Shanghai office which will become the Group's base for attracting new research and development talents from the region and expand the Group's presence in the PRC. We have discussed with the management and understood that the Shenzhen Property consists of the major operation site of SMIT Shenzhen which has been in use since December 2018 and the office in the Shenzhen Property is well established and known to the business partners. To cater the business expansion, it will be more operational efficient to expand the Shenzhen office by having multiple adjacent floors instead of locating a new office premises in other regions.

We understand from the management that the Group obtained requisite approval from the PRC Central Government for the implementation of the national science and technology project of "Development and Application of Full Process Electronic Design Automation System for Chip Design" in 2018. It is expected that the Group will continue to grasp the opportunities for the development of the domestic integrated circuit industry and develop its electronic design automation business in the PRC. Consider that the existing lease agreements of the current place of business in Shanghai (i) were for only one year without an option for renewal; (ii) the lease will soon expire on 30 November 2019; and (iii) the floor area is insufficient to cater for the business expansion, the Group is of the view that it is important to secure a sizeable office space for a sufficiently long period to facilitate the development of electronic design automation business. As advised by the Group, it is beneficial to set up a new office in the Shanghai Property for strategic purposes as (i) the Group can procure long-term lease period to mitigate the risk of relocation; (ii) the size of the office premises in Shanghai Property is spacious to cater the business expansion and the increasing labour force; and (iii) the Shanghai Property is located at Caohejing Kangqiao Development Zone where the Group can enjoy close proximity to the Shanghai market, gain ease of access to local resources and a wider range of talent for the business development.

In light of the above, we consider that the Property Leasing Framework Agreement forms part of the ordinary and usual course of business and is consistent with the Group's development strategies and business plans to expand the Group's presence in the PRC. Therefore, we are of the view that the entering into the Property Leasing Framework Agreement and the transactions contemplated thereafter are in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Property Leasing Framework Agreement

2.1 Principal terms of the Property Leasing Framework Agreement

The principal terms of the Property Leasing Framework Agreement, among others, are set out below:

Date:	29 October 2019
Parties:	(i) Mr. Huang (ii) SMIT Shenzhen
Term:	3 years, from 1 January 2020 to 31 December 2022 (both days inclusive)
Subject:	The Property Leasing Framework Agreement sets out a framework of the terms on which SMIT Shenzhen (or its subsidiaries) may further enter into tenancy agreements (each for a term of one year or less) with Shanghai Guo Wei or Shenzhen Digital TV, each a company controlled by Mr. Huang, in relation to the leasing of certain premises in the Shanghai Property and the Shenzhen Property respectively.
Pricing standard:	<u>Shenzhen Property</u>

Monthly rent:

For the financial year ending	Price per square meter
31 December 2020	RMB162
31 December 2021	RMB162
31 December 2022	RMB162

Monthly management fees:

For the financial year ending	Property management fees (Price per square meter)	Air conditioning fees (Price per square meter)
31 December 2020	RMB16	RMB7.25
31 December 2021	RMB16	RMB7.25
31 December 2022	RMB16	RMB7.25

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other miscellaneous property maintenance fees (including utilities fees) will also be charged based on the usage of SMIT Shenzhen in the Shenzhen Property at cost.

Shanghai Property

Monthly rent:

For the financial year ending	Price per square meter
31 December 2020	RMB90
31 December 2021	RMB90
31 December 2022	RMB90

All property management fees in relation to the Shanghai Property will be paid directly to a property management company, an independent third party. As such, property management fees will not be covered under the Property Leasing Framework Agreement.

As stated in the Letter from the Board, the terms of the Property Leasing Framework Agreement, including the rents 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 and the potential increase in market value, (ii) prevailing market rates of air conditioning fee and property management services for comparable premises, and (iii) the historical amount of rents and management fees payable under the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

In respect of the monthly rent of premises in the Shenzhen Property

In formulating our opinion, we have made reference to the open market rent of properties of comparable size, location and facilities to ensure the rent payable by the Group to Mr. Huang are no less favourable to an independent third party. We have conducted research on two online leasing platforms regarding the monthly rent of Grade A office with area over 1,000 square meters in Nanshan District with close proximity to the Nanshan Hi-Tech Park which also offer established facilities, based on our search result, the prices charged by Mr. Huang for the Shenzhen Property are comparable to other Grade A office premises in Nanshan District that are similar in terms of location, size and facility.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Outline Development Plan**”) which covers from 2019 to 2022, there will be in-depth cooperation among Guangdong, Hong Kong and Macau in areas such as infrastructural development, investment and trade, financial services, technology education, leisure and tourism, ecological and environmental protection, and social services. To facilitate the implementation of the Outline Development Plan, there will be various national and provincial (Guangdong) policies in place to attract investment and international companies to establish their business presences in the Greater Bay Area. As such, it is expected that there will be constant demand for Grade A offices especially from finance, service and technology companies in the Greater Bay Area and the rental prices of Grade A offices in the Greater Bay Area will remain stable in near future. Knowing that Shenzhen is one of the four core cities in the Outline Development Plan for regional development, we are of the view that the rental prices of Grade A offices in Shenzhen would also maintain at a steady level.

In addition, we have considered the prevailing property market in Shenzhen, with a main focus in Nanshan District. Based on a news update published by the Shenzhen Municipal People’s Government in October 2019, Nanshan district became the only area in Shenzhen where the vacancy rate of Grade A office buildings has declined in the 3rd quarter 2019. In light of a series of preferential policies launched by the local government, there was a strong demand for office premises from technology company and tenants from technology industry accounted for approximately 34% of the total net absorption volume of Shenzhen in the 3rd quarter 2019. It is expected that the technology industry will continue to underpin the Grade A office market in Nanshan district and the rental price of commercial premises in Nanshan district will remain steady. Having discussed with the management of the Company, consider that the Shenzhen Property is located at the prime location of Nanshan district and it is adjacent to Shenzhenwan Science and Technology Ecological Garden and Qianhai Shenzhen Cooperation Zone with established facilities supporting the technology industry, we are of the view that the monthly rent of premises in the Shenzhen Property for the three years ended 31 December 2022 are fair and reasonable.

In respect of the property management fees and air conditioning fees of the Shenzhen Property

We understand from the management that it is industry practice for landlord to charge the property management fees and air conditioning fees based on the gross floor area of the properties. As the property management fees and air conditioning fees under the Property Leasing Framework Agreement are the same as the price charged under the Existing Property Management Services Agreement, we are of the view that such fees are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the monthly rent of premises in the Shanghai Property

In formulating our opinion, we have made reference to the open market rent of properties of comparable size, location and facilities to assess whether the rent payable by the Group to Mr. Huang are no less favourable to an independent third party. We have conducted research on two online leasing platforms regarding the monthly rent of Grade A office with area over 4,000 square meters near the Caohejing Kangqiao Development Zone, based on our search result, the prices charged by Mr. Huang for the Shanghai Property are comparable to other Grade A office premises nearby that are similar in terms of location, size and facility.

According to the Shanghai Statistics Bureau, in terms of gross domestic product, the tertiary industry grew by 8.7% in 2018 and 9.1% in the first half year of 2019 as compared with 2017 and the corresponding period in 2018. Under a series of incentive measures including tax cut and further liberalizing trade in services, the tertiary industry is expected to denote a sound development. As such, the Company considers that the demand for office premises from tertiary industry will remain stable and underpin the development of the commercial properties market.

Having considered the above, we are of the view that the terms of the Property Leasing Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.2 The proposed annual caps of the Property Leasing Framework Agreement

The following table set forth the proposed annual caps for the three years ended 31 December 2022.

	Year ending 31 December 2020 RMB'000	Year ending 31 December 2021 RMB'000	Year ending 31 December 2022 RMB'000
Proposed annual caps (<i>Note</i>)	23,000	22,000	22,000

Note: The proposed annual cap for the financial year ending 31 December 2020 includes the leasing of the Existing Premises (which are located in the Shenzhen Property) governed by the Existing Tenancy Agreement and the Existing Property Management Services Agreement. In addition, the proposed annual caps for the financial years ending 31 December 2021 and 31 December 2022 have taken into account the potential leasing of the Existing Premises after the expiration of the Existing Tenancy Agreement and the Existing Property Management Services Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the proposed annual caps are determined according to (i) the estimated gross floor area of the relevant premises in the Shanghai Property (approximately 5,100 sq.m.) and the Shenzhen Property (approximately 6,185,5 sq.m.) required for the operation of the Group; (ii) the rent payable in accordance with the pricing standard under the Property Leasing Framework Agreement; and (iii) the total estimated management fees payable in accordance with the pricing standard under the Property Leasing Framework Agreement.

Based on our understanding, the proposed annual caps are calculated based on the aggregate annual rental and management fees of the Shenzhen Property and Shanghai Property for each of the three years ending 31 December 2022. Having considered the basis of determining the monthly rent as well as the property management fee and air conditioning fee as analyzed in the section headed “2.1 *Principal terms of the Property Leasing Framework Agreement*” above, which we consider are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the proposed annual caps are reasonably estimated and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCESS OF THE COMPANY

As advised by the Company, in order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted certain measures in monitoring the transactions contemplated under the Property Leasing Framework Agreement including the following, for so long as the transactions constitute continuing connected transactions of the Company:

- (i) The operation department will prepare the tenancy agreements within the Property Leasing Framework Agreement which will be reviewed by the legal department and subject to the approval of the chief financial officer. Such tenancy agreements will also be provided to the finance department to monitor and ensure timely rent payment and consistency of terms between the tenancy agreements and the Property Leasing Framework Agreement.
- (ii) Before a new tenancy agreement within the Property Leasing Framework Agreement is entered into, the finance department of the Company will obtain the prevailing market level for rental and miscellaneous expenses from the operation department for comparison to assess the reasonableness of the monthly rent offered under the Property Leasing Framework Agreement.
- (iii) The finance department and the audit committee of the Company will review the pricing policies under the Property Leasing Framework Agreement bi-annually, respectively, in order to ensure that such pricing policies are comparable to those adopted for determining rents payable for similar premises leased by independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) The independent non-executive Directors will conduct an annual review of leases entered into under the Property Leasing Framework Agreement during the preceding financial year and ensure that the Company complies with the Listing Rules requirement of disclosing the transaction amounts and terms of the relevant leases in the annual report, and to further ensure that the relevant leases are entered into in the ordinary and usual course of business, are fair and reasonable, and in the interest of the Shareholders as a whole.
- (v) The executive Directors will closely monitor the rent and management fees paid or payable pursuant to the Property Leasing Framework Agreement on a quarterly basis to ensure that the annual caps are not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.

Having considered the above, we are of the view that there are appropriate procedures and arrangements to ensure that the transactions contemplated under the Property Leasing Framework Agreement will be conducted on terms that are fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual course of business of the Group. The abovementioned internal control measures will also help the Group to monitor its compliance with the Listing Rules.

RECOMMENDATION

Taking into consideration the above factors and reasons, we are of the view that (i) the entering into the Property Leasing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Property Leasing Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the proposed annual caps are reasonably determined, and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the Property Leasing Framework Agreement and the respective proposed annual caps thereof.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Wallace Cheung
Director

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 9 years of experience in corporate finance industry.

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 DIRECTORS' INTERESTS

(i) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests or short positions, if any, of each Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) 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/she is taken or deemed to have under such provisions of the SFO); (ii) required to be or are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of interest in our Company
Huang Xueliang ^(Note 2)	Beneficial interest and interest in a controlled corporation	172,049,090 Shares (L)	54.07%
Kwan, Allan Chung-yuen ^(Note 3)	Beneficial interest	2,951,339 Shares (L)	0.93%
Shuai Hongyu ^(Note 4)	Beneficial interest	6,340,465 Shares (L)	1.99%
Loong, Manfred Man-tsun ^(Note 5)	Beneficial interest	6,544,129 Shares (L)	2.06%

Notes:

- (1) The letter "L" denotes the Directors' long positions in the shares of our Company or the relevant associated corporation.

- (2) As at the Latest Practicable Date, Mr. Huang Xueliang was interested in 5,043,624 Shares and was interested in share options to subscribe for 8,426,400 Shares. Mr. Huang also held 100% interest in Green Flourish Limited, 100% interest in Infortune International Limited and 50% interest in Statemicroelectronics International Co., Ltd. Mr. Huang was therefore deemed to be interested in the 128,656,454 Shares, 13,965,149 Shares and 15,957,463 Shares in which Green Flourish Limited, Infortune International Limited and Statemicroelectronics International Co., Ltd. had interests respectively as at the Latest Practicable Date.
- (3) As at the Latest Practicable Date, Mr. Kwan, Allan Chung-yuen was interested in 223,418 Shares and was interested in share options to subscribe for 1,870,925 Shares. Mr. Kwan also held 100% interest in Cykorp Limited. Mr. Kwan is therefore deemed to be interested in the 856,996 Shares in which Cykorp Limited had interests.
- (4) As at the Latest Practicable Date, Mr. Shuai Hongyu was interested in 1,358,083 Shares and was interested in share options to subscribe for 4,982,382 Shares.
- (5) As at the Latest Practicable Date, Mr. Loong, Manfred Man-tsun was interested in share options to subscribe for 6,544,129 Shares.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any other interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) 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 the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Directors' positions in substantial shareholders

As at the Latest Practicable Date, Green Flourish Limited was interested in 128,656,454 Shares representing approximately 40.43% of Shares in issue, Statemicroelectronics International Co., Ltd. was interested in 15,957,463 Shares representing approximately 5.01% of Shares in issue and Junjie International Co., Ltd. was interested in 19,140,656 Shares representing approximately 6.01% of Shares in issue.

To the best of our Directors' knowledge, China Integrated Circuit Industry Investment Fund Co., Ltd. held 100% interest in Xunxin (Shanghai) Investment Co., Ltd. which in turn held 100% interest in Xinxin (Hongkong) Capital Co., Limited. Each of China Integrated Circuit Industry Investment Fund Co., Ltd. and Xunxin (Shanghai) Investment Co., Ltd. is therefore deemed to be interested in the 29,999,000 Shares held by Xinxin (HongKong) Capital Co., Limited, representing approximately 9.43% of Shares in issue, as at the Latest Practicable Date.

As such, each of Green Flourish Limited, Statemicroelectronics International Co., Ltd., Junjie International Co., Ltd., China Integrated Circuit Industry Investment Fund Co., Ltd., Xunxin (Shanghai) Investment Co., Ltd. and Xinxin (HongKong) Capital Co., Limited was a company with interests which fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the latest practicable date, Mr. Huang was a director of each of Green Flourish Limited and Statemicroelectronics International Co., Ltd., each a company with interest which fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective associates had an interest in any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

(iv) Interests in assets

Mr. Huang is the chairman, chief executive officer, executive Director and controlling Shareholder of the Company. As at the Latest Practicable Date, Mr. Huang held approximately 65.62% indirect interest in Shenzhen Digital TV which owned the Shenzhen Property. He also held approximately 99% indirect interest in Shanghai Guo Wei which owned the Shanghai Property. As such, Mr. Huang was deemed to be interested indirectly in the Shenzhen Property (including the Existing Premises) and the Shanghai Property.

Save as disclosed above, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

(v) Interests in contract or arrangement

As at the Latest Practicable Date, Mr. Huang held approximately 65.62% indirect interest in Shenzhen Digital TV who is a party to the Existing Tenancy Agreement and the Existing Property Management Services Agreement. As such, Mr. Huang is deemed to be interested indirectly in the Existing Tenancy Agreement and the Existing Property Management Services Agreement. In addition, Mr. Huang is a party to and has direct interest in the Property Leasing Framework Agreement.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

(vi) Service contracts

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

3 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

4 EXPERT'S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained or referred to in this circular:

Name	Qualification
Messis Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. In addition, the above expert did not have any interest, either directly or indirectly, 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 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

5 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, except for public holidays, at the headquarters and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of EGM:

- (1) the letter from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 23 of this circular;
- (2) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 12 to 13 of this circular;
- (3) the written consent of Messis Capital Limited referred to in the section headed “Expert’s Qualifications and Consent” in this appendix;
- (4) the Existing Tenancy Agreement;
- (5) the Existing Property Management Services Agreement;
- (6) the Property Leasing Framework Agreement; and
- (7) this circular.

6 GENERAL

- (i) The registered office of the Company is situated at Maples Corporate Services Limited, PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at 1/F, Harbour View 2, 16 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.
- (ii) The Company’s branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (iii) In the event of any inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text of the same.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SMIT Holdings Limited

國微控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the Shareholders of SMIT Holdings Limited (the “Company”) will be held at No. 1 Meeting Room, 22F, Guoshi Building, No. 1801 Shahexi Road, Nanshan District, Shenzhen, PRC, at 4:00 p.m. on Friday, 6 December 2019, for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

- (1) To consider and, if thought fit, to approve:

“THAT

- (a) the entering into of the Property Leasing Framework Agreement and the transactions contemplated thereunder and the implementation thereof and the proposed annual caps for the transactions under the Property Leasing Framework Agreement be and are hereby confirmed, approved, authorised and ratified.
- (b) any one director or duly authorised signatory of the Company or any two directors or duly authorised signatories of the Company, if the affixing of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such documents, instruments, agreements and sub-agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the Property Leasing Framework Agreement and the transactions contemplated thereunder, and the implementation thereof.”

Yours faithfully,
By order of the Board
SMIT Holdings Limited
Mr. Huang Xueliang
Chairman

Hong Kong, 18 November 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office in the Cayman Islands:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Headquarters and principal place of business in Hong Kong:

1/F, Harbour View 2
16 Science Park East Avenue
Hong Kong Science Park
Shatin, New Territories
Hong Kong

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order 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 notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at least 48 hours before the time for holding the above meeting.
3. The transfer books and register of members of the Company will be closed from Tuesday, 3 December 2019 to Friday, 6 December 2019 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 2 December 2019 for registration.
4. 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 were solely entitled thereto in the meeting, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, 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.