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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO CAPITAL INJECTION IN THE TARGET COMPANY**

#### **THE CAPITAL INJECTION**

Reference is made to the announcement published by the Company on 21 May 2019 regarding SMIT Shenzhen's acquisition of approximately 0.99% equity interest in the Target Company.

The Board is pleased to announce that on 31 January 2020, the Target Company, the HTHX Fund and SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement, pursuant to which SMIT Shenzhen will make a capital injection of RMB90 million in the Target Company.

Upon completion of the Capital Injection, the Target Company will be held as to 90.91% by the HTHX Fund and 9.09% by SMIT Shenzhen respectively, and the total registered capital of the Target Company will be increased from RMB1,010 million to RMB1,100 million.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Injection on aggregated basis (when aggregated with the Acquisition) is more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 31 January 2020, the Target Company, the HTHX Fund and SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement, pursuant to which SMIT Shenzhen will make a capital injection of RMB90 million in the Target Company.

## **THE CAPITAL INJECTION AGREEMENT**

The major terms of the Capital Injection Agreement are set out as follows:

- Date: 31 January, 2020
- Parties: (i) the Target Company
- (ii) the HTHX Fund
- (iii) SMIT Shenzhen

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the HTHX Fund, the Target Company and their respective beneficial owners (save for the equity interests held by SMIT Shenzhen in the Target Company) are third parties independent of the Company and its connected persons under the Listing Rules.

### **Capital Injection**

Pursuant to the Capital Injection Agreement, SMIT Shenzhen will make a capital injection of RMB90 million in the Target Company.

Immediately prior to the Capital Injection, the Target Company is held as to 99.01% by the HTHX Fund and 0.99% by SMIT Shenzhen respectively. Upon completion of the Capital Injection, the Target Company will be held as to 90.91% by the HTHX Fund and 9.09% by SMIT Shenzhen, and the total registered capital of the Target Company will be increased from RMB1,010 million to RMB1,100 million.

The Target Company had not, and will not be accounted for as a subsidiary of the Company, and the financial statements of the Target Company had not, and will not be consolidated in the audited consolidated financial statements of the Company before and after completion of the Capital Injection.

The amount of Capital Injection has been arrived after arm's length negotiations amongst the parties to the Capital Injection Agreement based on the registered capital of the Target Company with reference to the capital requirements for the future operations of business by the Target Company.

## INFORMATION ON THE TARGET COMPANY

### Financial information of the Target Company

Based on the unaudited consolidated financial statements from its incorporation to 31 December 2018 and for the year ended 31 December 2019 of the Target Group prepared in accordance with the PRC GAAP, the unaudited consolidated financial information of the Target Group is set out below:

	<b>From incorporation to 31 December 2018 (unaudited) USD '000</b>	<b>For the year ended 31 December 2019 (unaudited) USD '000</b>
Profit/(loss) before tax	(1,524)	(6,102)
Profit/(loss) after tax	(1,524)	(6,102)

The unaudited net asset value of the Target Company as at 31 December 2019 amounted to approximately USD80 million.

## INFORMATION ON THE PARTIES TO THE CAPITAL INJECTION 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 mainly engaged in developing and marketing security devices such as CAMs (for the paid TV industry) and the development of full process Electronic Design Automation ("EDA") system for chip design.

## **The HTHX Fund**

The HTHX Fund is a limited partnership established under the laws of the PRC. The HTHX Fund holds approximately 99.01% interest in the Target Company. Hongxin VC (Shenzhen) Enterprise (Limited Partnership)\* (鴻芯創投(深圳)企業(有限合夥)) (“**Hongxin VC**”), is the general partner of the HTHX Fund and holds approximately 0.99% interest in the HTHX Fund. Each of China Integrated Circuit Industry Investment Fund Co., Ltd\* (國家集成電路產業投資基金股份有限公司) (“**China IC Fund**”) and Shenzhen Guiding Fund Investment Co., Ltd.\* (深圳市引導基金投資有限公司) (“**Shenzhen Guiding Fund**”) is a limited partner of the HTHX Fund and each holding approximately 49.5% interest in the HTHX Fund. Xinxin (Hongkong) Capital Co., Limited, a subsidiary of China IC Fund, is a shareholder of the Company.

Since 3 September 2019, Beijing Shixi Qingliu Investment Co., Ltd.\* (北京石溪清流投資有限公司) (“**Beijing Shixi**”) has become the general partner of Hongxin VC and holds 1% interest in Hongxin VC. Established on 26 November 2015, Beijing Shixi is a professional investment institution that focuses on the semiconductor industry and is committed to developing industrial ecology by joining force with industry leaders. As a result, Shenzhen Hongtai Fund Investment Management Co., Ltd.\* (深圳鴻泰基金投資管理有限公司) (“**Hongtai Investment**”), a company held by Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company) and Mr. Zeng Zhijie (a former non-executive Director of the Company) as to 30% and 40% respectively, had ceased to be the general partner of or hold any interest in Hongxin VC; as such, each of the HTHX Fund and the Target Company have ceased to be a connected person of the Company.

## **The Target Group**

The Target Company is a limited liability company established in the PRC. The Target Company and its subsidiaries were established to engage in the development of EDA design software. The Target Company was incorporated on 12 January 2018 and is currently in its initial team building and core technology development stage.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT**

It is the Company’s strategy to develop its capabilities in integrated circuit (“**IC**”) design and especially the EDA technology which is the foundation of IC design.

The Target Company is the product of a co-operation investment project between the China IC Fund and the Shenzhen Guiding Fund to engage in the development of EDA design software. In recognition of the Group’s technological capabilities in the IC design sector and our strategy to develop EDA tools, the Group was invited to participate in the investment project through the Acquisition. Due to the Group’s technological capabilities and participation in the investment project, the Group was invited to further invest into the investment project through the Capital Injection to reflect the greater degree of co-operation between the Group and the investment fund. The Capital Injection will allow the Group increase its co-operation with the Target Group and further enhance the Group’s capabilities in developing the full process EDA system.

Mr. Huang Xueliang (“**Mr. Huang**”) (an executive Director of the Company) is a director of the Target Company. Although Mr. Huang has no material in the Capital Injection Agreement, he has abstained from voting in the relevant resolutions approving the above transaction for better corporate governance practice.

The Directors (including the independent non-executive Directors and except for Mr. Huang) consider that the terms of the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. The Capital Injection will be funded by internal resources of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Injection on aggregated basis (when aggregated with the Acquisition) is more than 5% but less than 25%, the Capital Injection constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of approximately 0.99% equity interest in the Target Company by SMIT Shenzhen (as purchaser) from Ms. Li Xue (as seller) for a consideration of RMB10 million pursuant to an equity transfer agreement dated 21 May 2019 entered into between SMIT Shenzhen, Ms. Li Xue, HTHX Fund and the Target Company
“Board”	the board of Directors
“Capital Injection”	capital injection of RMB90 million from SMIT Shenzhen to the Target Company in accordance with the terms of the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 31 January 2020 relating to the Capital Injection entered into between the HTHX Fund, the Target Company and SMIT Shenzhen
“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)
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HTHX Fund”	Shenzhen Hongtai Hongxin Share Investment Fund Partnership (Limited Partnership)* (深圳鴻泰鴻芯股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shenzhen Giga Design Automation Co., Ltd* (深圳鴻芯微納技術有限公司), a company established under the laws of the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

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

Hong Kong, 31 January 2020

*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