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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 DISPOSAL OF EQUITY INTERESTS IN SMIT XINXIN

THE CAPITAL INJECTION

The Board is pleased to announce that on 31 March 2020, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Investor A, Investor B and Investor C, pursuant to which SMIT Shenzhen would transfer 28%, 20% and 3% equity interest of SMIT Xinxin to Investor A, Investor B and Investor C respectively.

Immediately after the Equity Transfer, SMIT Xinxin would cease to be a subsidiary of the Group.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Transfer is more than 5% but less than 25%, the Equity Transfer 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 March 2020, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Investor A, Investor B and Investor C, pursuant to which SMIT Shenzhen would transfer 28%, 20% and 3% equity interest of SMIT Xinxin to Investor A, Investor B and Investor C respectively.

THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out as follows:

Date: 31 March 2020

Parties: (i) SMIT Shenzhen (as seller)

(ii) Investor A

(iii) Investor B

(iv) Investor C

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investors are third parties independent of the Company and its connected persons under the Listing Rules.

Equity Transfer

Pursuant to the Equity Transfer Agreement, SMIT Shenzhen will transfer 28%, 20% and 3% equity interest of SMIT Xinxin to Investor A, Investor B and Investor C respectively.

Consideration

The registered capital of SMIT Xinxin is RMB100,000,000. Immediately prior to the Equity Transfer, SMIT Shenzhen had (i) paid up the registered capital in respect of 50% of the equity interest in SMIT Xinxin (i.e. RMB50,000,000 out of RMB100,000,000) (the "**Paid-up Equity Interest**"); and (ii) not paid up the registered capital in respect of the remaining 50% of the equity interest in SMIT Xinxin (i.e. RMB50,000,000 out of RMB100,000,000 (the "**Unpaid Capital**")) (the "**Non-paid-up Equity Interest**").

In light of the above, the consideration for the acquisition of the Equity Transfer is RMB51,000,000, which is payable by the Investors in the following manners:

- (i) Investor A shall (a) assume the payment obligation of RMB27,000,000 owed to SMIT Xinxin corresponding to 27% equity interest in SMIT Xinxin acquired by Investor A (as part of the Non-paid-up Equity Interest) and (b) pay RMB1,000,000 by cash to SMIT Shenzhen for the 1% equity interest in SMIT Xinxin acquired by Investor A (as part of the Paid-up Equity Interest);
- (ii) Investor B shall assume the payment obligation of RMB20,000,000 owed to SMIT Xinxin corresponding to 20% equity interest in SMIT Xinxin acquired by Investor B (as part of the Non-paid-up Equity Interest); and
- (iii) Investor C shall assume the payment obligation of RMB3,000,000 owed to SMIT Xinxin corresponding to 3% equity interest in SMIT Xinxin acquired by Investor C (as part of the Non-paid-up Equity Interest).

The Investors agreed to pay up (i) 50% of the Unpaid Capital corresponding to their respective Non-paid-up Equity Interests in SMIT Xinxin acquired from SMIT Shenzhen on the date of the Equity Transfer Agreement; and (ii) the remaining 50% of the Unpaid Capital within three months from the date of the Equity Transfer Agreement. Investor A shall also settle the cash consideration of RMB1,000,000 on the date of the Equity Transfer Agreement.

Basis of determining the amount of the Equity Transfer

The consideration to be paid by each of the Investors is determined based on the registered capital of SMIT Xinxin.

FINANCIAL EFFECT OF THE EQUITY TRANSFER

Prior to Equity Transfer, SMIT Xinxin is a wholly-owned subsidiary of the Company. The financial results and financial positions of SMIT Xinxin are consolidated in the consolidated financial statements of the Company. Immediately after the Equity Transfer, SMIT Xinxin would cease to be a subsidiary of the Company and become an associated company of the Company. Accordingly, the financial results and financial position of SMIT Xinxin will cease to be consolidated in the financial statements of the Company after Equity Transfer. All assets and liabilities of SMIT Xinxin will be derecognized. The interest in SMIT Xinxin held by the Company as associated company will be recognized as an asset according to its fair value initially and measured by using equity method subsequently. As no substantial business activities have been carried out by SMIT Xinxin prior to the Equity Transfer and the consideration for the transaction is determined based on the original amount of the registered capital of SMIT Xinxin, it is not anticipated that the Equity Transfer would result in significant disposal gain or loss.

USE OF PROCEEDS

The net cash proceed from the Equity Transfer is approximately RMB1 million. It is expected that the net proceed will be allocated for the replenishment of the working capital of the Group.

INFORMATION ON SMIT XINXIN

SMIT Xinxin is a company incorporated in the PRC with limited liability. SMIT Xinxin is a platform for the Group to explore and invest in new semiconductor research and development projects. Up to the date of this announcement, SMIT Xinxin has no significant business activities and only limited initial company setting-up activities have been carried out.

Financial information of the SMIT Xinxin

Based on the unaudited consolidated financial statements from its incorporation on 24 July 2019 to 31 December 2019 of SMIT Xinxin prepared in accordance with the PRC GAAP, the financial information of SMIT Xinxin is set out below:

	From incorporation to 31 December 2019 (unaudited) USD' 000
Loss before tax	<u>27</u>
Loss after tax	<u>27</u>

The unaudited net asset value of SMIT Xinxin as at 31 December 2019 amounted to approximately USD7,140,000.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER 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 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.

Investor A

Ms. Feng Yuanyuan (馮媛媛) is an individual investor who has over 5 years of experience in investing in the semiconductor industry as a senior management of an IC-related investment fund.

Investor B

Mr. Shi Haiyong (施海勇) is an individual investor who was formerly a department general manager of a renowned software company with over 20 years of management and research and development experience in the semiconductor industry.

Investor C

Mr. Chen Yunhai (陳雲海) is an individual investor who has over 20 years of management and strategic investment experience in various industries.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT

Exploring and identifying new business and investment opportunities in the semiconductor industry has been an ongoing strategy of the Group. SMIT Xinxin is intended to be a platform for the Group to explore and invest in new semiconductor research and development projects. The introduction of the Investors through the Equity Transfer allows SMIT Xinxin to bring in valuable semiconductor management and research experience, semiconductor investment experience and corporate management and strategic experience to the project. Further, as semiconductor research and development projects require substantial investment, the Equity Transfer will also allow the Investors to contribute investment capital to SMIT Xinxin.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

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 Equity Transfer is more than 5% but less than 25%, the Equity Transfer 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:

“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)
“Directors”	the director(s) of the Company
“Equity Transfer”	the transfer of a total of 51% equity interest in SMIT Xinxin from SMIT Shenzhen to the Investors in accordance with the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 31 March 2020 entered into between SMIT Shenzhen and the Investors in relation to the Equity Transfer

“Group”	the Company and its subsidiaries
“SMIT Xinxin”	Shanghai SMIT Xinxin Semiconductor Co., Limited* (上海國微芯芯半導體有限公司), a company incorporated under the laws of the PRC with limited liability and, prior to the Equity Transfer, a wholly-owned subsidiary of the Company
“Investor A”	Ms. Feng Yuanyuan (馮媛媛), an individual investor
“Investor B”	Mr. Shi Haiyong (施海勇), an individual investor
“Investor C”	Mr. Chen Yunhai (陳雲海), an individual investor
“Investors”	Investor A, Investor B and Investor C
“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
“%”	per cent

By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

Hong Kong, 31 March 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. Liu Yang; and the independent non-executive Directors are Mr. Zhang Junjie, Mr. Woo Kar Tung, Raymond and Mr. Jin Yufeng.

* For identification purpose only