

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SMIT HOLDINGS LIMITED

國微控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2239)

CONNECTED TRANSACTION ESTABLISHMENT OF THE FUND

ESTABLISHMENT OF THE FUND

The Board is pleased to announce that on 27 January 2021, SMIT Shenzhen (a wholly-owned subsidiary of the Company), Hongtai Guwei (a connected person of the Company), Huang Xueliang (an executive Director and controlling shareholder of the Company) and Shenzhen Angel Investment (an Independent Third Party) entered into the Partnership Agreement in relation to the establishment and management of the Fund.

The Fund will be registered in the PRC as a limited partnership with the primary objective of engaging in angel investments in early stage companies operating in innovative technology sectors, including but not limited to integrated circuits, artificial intelligence, smart hardware, 5G communications internet of things, internet, power semiconductors, electronics-related new materials and advanced manufacturing in Shenzhen, the PRC.

LISTING RULES IMPLICATIONS

As each of Hongtai Guwei and Mr. Huang Xueliang is a connected person of the Company, the establishment of the Fund pursuant to the terms of the Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the committed capital contribution of SMIT Shenzhen of RMB36,000,000 under the Partnership Agreement exceed(s) 0.1% but are all less than 5%, the establishment of the Fund pursuant to the terms of the Partnership Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 27 January 2021, SMIT Shenzhen (a wholly-owned subsidiary of the Company), Hongtai Guowei (a connected person of the Company), Mr. Huang Xueliang (an executive Director and controlling Shareholder of the Company) and Shenzhen Angel Investment (an Independent Third Party) entered into the Partnership Agreement in relation to the establishment and management of the Fund.

THE PARTNERSHIP AGREEMENT

Date

27 January 2021

Name of the Fund

Shenzhen Hongtai Angel Share Investment Fund Partnership (Limited Partnership)* (深圳鴻泰天使創業投資合夥企業(有限合夥)), a limited partnership to be established and registered under the laws of the PRC.

Parties

- (i) Hongtai Guowei (as the General Partner);
- (ii) Shenzhen Angel Investment (as a Limited Partner);
- (iii) SMIT Shenzhen (as a Limited Partner); and
- (iv) Huang Xueliang (as a Limited Partner)

Term of the Fund

For a term of ten (10) years from the establishment date of the Fund (*i.e.* the date on which the Fund obtains its business licence) (the “**Fund Establishment Date**”).

General/Executive Partner

Hongtai Guowei

Purpose and business scope of the Fund

The primary objective of the Fund is to engage in angel investments in, and provide management services to, start-up companies operating in innovative technology sectors, including but not limited to integrated circuits, artificial intelligence, smart hardware, 5G communications, internet of things, internet, power semiconductors, electronics-related new materials and advanced manufacturing in Shenzhen, the PRC.

Capital contribution

Pursuant to the terms of the Partnership Agreement, the initial total capital contribution by all partners to the Fund will be RMB100 million, which will be payable as follows:

Partner	Partnership type	Capital contribution (RMB)	Percentage of equity interest
Hongtai Guowei	General Partner	1,000,000	1%
Shenzhen Angel Investment	Limited Partner	40,000,000	40%
SMIT Shenzhen	Limited Partner	36,000,000	36%
Huang Xueliang	Limited Partner	23,000,000	23%

The respective capital contribution to the Fund was determined after arm's length negotiation between the partners with reference to the proposed capital requirements of the Fund and the partners' proportionate interests therein.

Save and except for Shenzhen Angel Investment, the partners shall pay their respective capital contribution in such tranches and timeframe as specified in the capital contribution notice issued by the Executive Partner, provided that (i) not less than 50% of the capital contribution amount must be settled by the relevant partner within three (3) months from the Fund Establishment Date; and (ii) the remaining 50% of the capital contribution amount must be settled by the relevant partner within eighteen (18) months from the Fund Establishment Date.

Subject to the other partners having paid not less than 50% of their capital contribution amount, Shenzhen Angel Investment shall pay its capital contribution in accordance with the relevant procedures in the same proportion.

All capital contribution shall be paid by RMB cash.

The capital contribution of SMIT Shenzhen shall be allocated from the internal resources of the Group.

Management of the Fund

The Fund shall be managed by Hongtai Guowei, which is acting as the General Partner and Executive Partner pursuant to the Partnership Agreement. The Limited Partners shall not perform partnership affairs and shall not represent the Fund externally.

The Executive Partner is entitled to a management fee (the “**Management Fee**”) calculated as follows:

- (i) during the period of three (3) years commencing from the date on which the Executive Partner receives the first instalment of the Management Fee (the “**Investment Period**”), 2.5% per annum of the balance of (a) the actual cash contribution by the partners for the Fund, and deducting therefrom (b) the aggregate investment principal amount of investment projects from which the Fund has exited; and
- (ii) during the period of five (5) years after expiry of the Investment Period, 2% per annum of the aggregate investment principal amount of investment projects in which the Fund remain invested.

Investment Decision Committee

The Fund shall establish an investment decision committee (the “**Investment Decision Committee**”) which shall be the sole body responsible for making decisions on investments by the Fund. The Investment Decision Committee shall decide on, among other matters, external investments by the Fund, exit from investment projects by the Fund and such other matters as delegated thereto by the Executive Partner or stipulated by the Partnership Agreement.

The Investment Decision Committee shall comprise five (5) committee members, which shall be nominated by Hongtai Guowei (as the Executive Partner) and approved by the partners in a partners meeting. The chairman of the Investment Decision Committee shall be appointed by Hongtai Guowei (as the Executive Partner). Resolutions of the Investment Decision Committee shall be passed by not less than 4 of the 5 committee members and subject to review and a veto right (exercisable once within a prescribed period for each proposed investment project) by Shenzhen Angel Investment.

Revenue and loss sharing

Any revenue generated from investment by the Fund (including but not limited to dividends and cash advances from an investee company, and capital gains derived from disposal of interest in an investee company) shall become the distributable revenue of the Fund after the deduction of relevant taxes payable by the Fund on such revenue (if any) and related expenses. Unless otherwise provided in the Partnership Agreement, the distributable revenue shall not be used for reinvestment, and shall be distributed to each partner in order of priority set out below:

- (i) distribution of distributable revenue to the limited partners in accordance with their actual capital contribution ratio until each limited partner receives such amount as equivalent to its/his actual capital contribution amount;
- (ii) in the event of any surplus amount after settlement of each limited partner’s entitlement in (A) above, the general partner will receive distribution until it receives such amount as equivalent to its actual capital contribution amount; and
- (iii) in the event of any surplus amount after settlement of the respective entitlement of the limited partners and the general partner in accordance with (A) and (B) above, (i) 80% of such amount will be distributed to all partners in accordance with their actual capital contribution ratio; and (ii) the remaining 20% of such amount will be distributed to the general partner.

The losses of the Fund shall be borne first by the General Partner up to its capital contribution amount, and any further loss amount shall be borne by the other partners pro rata to their respective capital contribution amount. The accumulated amount of losses of the partnership undertaken by each partner shall be restricted to the capital contribution amount of such partner.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The establishment of the Fund is a project led by the Shenzhen Finance Bureau to promote further growth to the ecosystem of high-tech enterprises in Shenzhen through the specialized investment scope and management experience to be provided through the Fund. As an established member of the high-tech industry in Shenzhen, the Group is fully committed to the development of the high-tech industry in Shenzhen. The investment into the Fund will not only allow the Group to contribute to this mission, it also creates an opportunity for the Group to connect with various high-tech startup companies and explore potential co-operation projects. In addition, as a limited partner of the Fund, the Group will be able to share the long-term success and growth of the high-tech enterprises invested by the Fund.

The Directors (including the independent non-executive Directors and except for Mr. Huang Xueliang who have abstained from voting on the Board resolutions) consider the terms of the Partnership Agreement, which were determined after arm's length negotiations among the parties thereto, to be normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE PARTNERSHIP AGREEMENT

The Company

The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding.

SMIT Shenzhen

SMIT Shenzhen is a wholly-owned subsidiary of the Company established in the PRC with limited liability. It is the Company's principal operating subsidiary in the PRC and is 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.

Hongtai Guowei

Hongtai Guowei is a private fund manager established in the PRC and registered under the China Securities Investment Fund Industry Association, which is primarily engaged in the fund raising, project investments and post-investment management of private fund products in the integrated circuits industry.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hongtai Guowei is owned as to 80% by Qianhai Guowei and 20% by Hongtai Fund Investment. Qianhai Guowei is owned as to 99% by Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company) and 1% by Ms. Zhang Shiyun (the spouse of Mr. Huang Xueliang). Hongtai Fund Investment is owned as to 33.34% by Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company), 33.33% by Mr. Wang Wenzhong (an Independent Third Party) and 33.33% by Shenzhen Houwang Investment Management Company Limited* (深圳市厚望投資管理有限公司), a company owned as to 99% by Mr. Zeng Zhijie, a former non-executive Director of the Company and an Independent Third Party. Therefore, each of Qianhai Guowei, Hongtai Fund Investment and Hongtai Guowei is an associate of Mr. Huang Xueliang, and each constitutes a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

Shenzhen Angel Investment

Shenzhen Angel Investment is a company established in the PRC which is a strategic guiding fund with the vision of encouraging social capital to invest in strategic emerging industries and promoting the transformation of traditional industries, and aims to build Shenzhen into a world-class innovative and entrepreneurial city.

Shenzhen Angel Investment is a wholly-owned subsidiary of Shenzhen Guiding Fund Investment Co., Ltd., which is in turn wholly-owned by the Shenzhen Finance Bureau.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Shenzhen Angel Investment and its ultimate beneficial owner is an Independent Third Party.

Mr. Huang Xueliang

Mr. Huang Xueliang is an executive Director and the controlling shareholder of the Company, and is a connected person of the Company pursuant to the Listing Rules.

LISTING RULES IMPLICATIONS

As stated above, each of Hongtai Guowei and Mr. Huang Xueliang is a connected person of the Company. Therefore, the establishment of the Fund pursuant to the terms of the Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated with reference to the committed capital contribution of SMIT Shenzhen of RMB36,000,000 under the Partnership Agreement exceed(s) 0.1% but are all less than 5%, the establishment of the Fund pursuant to the terms of the Partnership Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from Mr. Huang Xueliang, who has abstained from voting on the Board resolutions approving the Partnership Agreement and the establishment of the Fund in view of his interests therein, none of the Directors were in any way materially interested in and is required to abstain from voting on the Board resolutions approving the Partnership Agreement and the establishment of the Fund.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	SMIT Holdings Limited (國微控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2239)
“Director(s)”	the director(s) of the Company
“Fund”	Shenzhen Hongtai Angel Share Investment Fund Partnership (Limited Partnership)* (深圳鴻泰天使創業投資合夥企業(有限合夥)), a limited partnership to be established and registered under the laws of the PRC
“General Partner” or “Executive Partner”	Hongtai Guowei
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongtai Guowei”	Shenzhen Hongtai Guowei Share Investment Management Limited* (深圳鴻泰國微股權投資管理有限公司), a company established under the laws of the PRC with limited liability and a connected person of the Company
“Independent Third Party”	an independent third party not connected with the Company or its connected persons
“Limited Partners”	Shenzhen Angel Investment, SMIT Shenzhen and Mr. Huang Xueliang
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Partnership Agreement”	a partnership agreement dated 27 January 2021 entered into among Hongtai Guowei, Shenzhen Angel Investment, SMIT Shenzhen and Mr. Huang Xueliang in relation to the establishment and management of the Fund

“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Shenzhen Angel Investment”	Shenzhen Angel Investment Guide Fund Limited* (深圳市天使投資引導基金有限公司), a company established under the laws of the PRC with limited liability, and an Independent Third Party
“SMIT Shenzhen”	SMIT Group (Shenzhen) Co., Ltd* (國微集團(深圳)有限公司), a company established 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.

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

Hong Kong, 27 January 2021

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