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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)

**MAJOR TRANSACTION –
DISPOSAL OF EQUITY INTEREST IN SMIT XINTECH
AND INTRODUCTION OF THE EMPLOYEE SHAREHOLDING
PLATFORMS BY SMIT XINTECH**

EQUITY TRANSFERS

The Board is pleased to announce that on 23 September 2022, SMIT Shenzhen (a wholly-owned subsidiary of the Company), SMIT Xintech (a wholly-owned subsidiary of the SMIT Shenzhen) entered into the Equity Transfer Agreements with each of the Investors and the Employee Shareholding Platforms, pursuant to which SMIT Shenzhen would conditionally transfer an aggregate of approximately 51.22% equity interest in SMIT Xintech to the Investors and the Employee Shareholding Platforms.

Immediately after Completion, SMIT Xintech would cease to be a subsidiary, and become an indirectly held associated company, of the Company.

INTRODUCTION OF THE EMPLOYEE SHAREHOLDING PLATFORMS BY SMIT XINTECH

The SMIT Xintech's Employee Shareholding Scheme will be established whereby the eligible employees of SMIT Xintech Group will be provided with opportunities to indirectly invest in SMIT Xintech and share the company's future growth and success through the three Employee Shareholding Platforms.

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 Transfers is more than 25% but less than 75%, the Equity Transfers constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Equity Transfers, and as such no Shareholders are required to abstain from voting in favour of the resolution approving the Equity Transfers.

As at the date of this announcement, Ever Expert and Mr. Huang directly hold 168,134,777 shares and 5,043,624 shares respectively in the Company, representing a total of approximately 54.06% of the entire issued share capital of the Company. Ever Expert is a company indirectly owned by Mr. Huang as to 99%, hence Ever Expert and Mr. Huang are a closely allied group of shareholders of the Company for the purpose of Rule 14.44 of the Listing Rules.

The Company proposes to obtain written approval for the Equity Transfers in accordance with Rule 14.44 of the Listing Rules from each of Ever Expert and Mr. Huang as shareholders of the Company. Accordingly, no general meeting will be convened for the purpose of approving the Equity Transfers as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Equity Transfers and such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 October 2022.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE EQUITY TRANSFERS ARE SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE EQUITY TRANSFERS MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OF THE COMPANY.

INTRODUCTION

The Board is pleased to announce that on 23 September 2022, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into the an Equity Transfer Agreements with each of the Investors and the Employee Shareholding Platforms, pursuant to which SMIT Shenzhen would conditionally transfer an aggregate of approximately 51.22% equity interest of SMIT Xintech to the Investors and the Employee Shareholding Platforms.

THE EQUITY TRANSFER AGREEMENTS

The principal terms of the Equity Transfer Agreements are set out as follows:

1. **Date:** 23 September 2022
2. **Parties:**
 - (i) SMIT Xintech (as the target company);
 - (ii) SMIT Shenzhen (as transferor); and
 - (iii) the Investors and the Employee Shareholding Platforms (each as transferee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investors, the Employee Shareholding Platforms and their respective ultimate beneficial owners are Independent Third Parties.

Equity Transfers

As at the date of this announcement, the registered capital of SMIT Xintech is RMB820 million, of which SMIT Shenzhen has (i) paid up RMB400 million in registered capital (representing approximately 48.78% equity interest) in SMIT Xintech (the “**Paid-up Equity Interest**”); and (ii) yet to pay up the remaining RMB420 million in registered capital (representing approximately 51.22% equity interest) in SMIT Xintech (the “**Non-paid-up Equity Interest**”). All of the equity interest subject to the Equity Transfers are Non-paid-up Equity Interest.

Pursuant to the Equity Transfer Agreements, SMIT Shenzhen will, conditional upon the terms of the said agreements, transfer the Non-paid-up Equity Interest of RMB420 million (representing approximately 51.22% of the entire equity interest of SMIT Xintech) to the Investors and the Employee Shareholding Platforms as follows:

Transferees	Amount of Non-paid-up Equity Interest in SMIT Xintech (RMB)	Approximate equity interest of SMIT Xintech
Guangzhou Lifeng Boxin	100 million	12.20%
Shunzhitong	15 million	1.83%
Gaowu Tianxuan	25 million	3.05%
Xinqihang	50 million	6.10%
Employee Shareholding Platform A	66.8 million	8.14%
Employee Shareholding Platform B	66.8 million	8.14%
Employee Shareholding Platform C	96.4 million	11.76%

Consideration

The aggregate consideration for the Equity Transfers is RMB420 million (the “**Consideration**”), which is payable by the Investors and the Employee Shareholding Platforms in the following manner:

- (i) Guangzhou Lifeng Boxin shall assume the payment obligation of RMB100 million in registered capital payable to SMIT Xintech, corresponding to approximately 12.20% equity interest in SMIT Xintech to be acquired by Guangzhou Lifeng Boxin;
- (ii) Shunzhitong shall assume the payment obligation of RMB15 million in registered capital payable to SMIT Xintech, corresponding to approximately 1.83% equity interest in SMIT Xintech to be acquired by Shunzhitong;
- (iii) Gaowu Tianxuan shall assume the payment obligation of RMB25 million in registered capital payable to SMIT Xintech, corresponding to approximately 3.05% equity interest in SMIT Xintech to be acquired by Gaowu Tianxuan;
- (iv) Xinqihang shall assume the payment obligation of RMB50 million in registered capital payable to SMIT Xintech, corresponding to approximately 6.10% equity interest in SMIT Xintech to be acquired by Xinqihang;
- (v) Employee Shareholding Platform A shall assume the payment obligation of RMB66.8 million in registered capital payable to SMIT Xintech, corresponding to approximately 8.14% equity interest in SMIT Xintech to be acquired by Employee Shareholding Platform A;
- (vi) Employee Shareholding Platform B shall assume the payment obligation of RMB66.8 million in registered capital payable to SMIT Xintech, corresponding to approximately 8.14% equity interest in SMIT Xintech to be acquired by Employee Shareholding Platform B; and
- (vii) Employee Shareholding Platform C shall assume the payment obligation of RMB96.4 million in registered capital payable to SMIT Xintech, corresponding to approximately 11.76% equity interest in SMIT Xintech to be acquired by Employee Shareholding Platform C.

SMIT Shenzhen will not receive any cash consideration pursuant to the Equity Transfers.

Pursuant to the Equity Transfer Agreements:

- (a) each Investor agrees to fully pay up its portion of the Consideration within three days after Completion for the relevant Equity Transfer;
- (b) in respect of their respective portion of the Consideration, each of Employee Shareholding Platform A and Employee Shareholding Platform B agrees to pay up (i) RMB50 million within three days after Completion for the relevant Equity Transfer; and (ii) the remaining amount of RMB16.8 million within one (1) year after Completion for the relevant Equity Transfer; and
- (c) in respect of its portion of the Consideration, Employee Shareholding Platform C agrees to pay up (i) RMB40 million within three days after Completion for the relevant Equity Transfer; and (ii) the remaining amount of RMB56.4 million within one (1) year after Completion for the relevant Equity Transfer.

In the event that any Employee Shareholding Platform fails to fully pay up its portion of the Consideration within the above timing as prescribed in the relevant Equity Transfer Agreement, Xinqihang has undertaken to receive the relevant portion of the Non-paid-up Equity Interest at nil consideration whereby Xinqihang will assume the payment obligation for the portion of the Consideration relating to such overdue Non-paid-up Equity Interest.

Basis for determining the consideration of the Equity Transfers

The Consideration to be paid by each of the Investors is arrived at after arm's length negotiations between the Group and the Investors taking into account, among other things, the historical and current loss making position of SMIT Xintech Group, and the future business plan of SMIT Xintech Group. The Consideration to be paid by the Employee Shareholding Platforms are set at the same basis.

Conditions of the Equity Transfers

Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) the Company has obtained all relevant board, shareholders and other required approvals for the Equity Transfers and relevant matters (including the Equity Transfer Agreements, the Shareholders' Agreement and other ancillary documents and the terms and conditions therein) and the compliance of applicable requirements from the Stock Exchange or other regulators;
- (b) the execution of the Shareholders' Agreement by SMIT Xintech, SMIT Shenzhen, the Investors and the Employee Shareholding Platforms; and
- (c) the delivery of each of the other Equity Transfer Agreements at the same time.

THE SHAREHOLDERS' AGREEMENT

On 23 September 2022, the Shareholders' Agreement was also entered into by SMIT Shenzhen, SMIT Xintech, the Investors and the Employee Shareholding Platforms to govern matters in relation to, among others (A) the affairs, business and management of SMIT Xintech; and (B) the relationships, rights and obligations amongst the parties.

FINANCIAL EFFECT OF THE EQUITY TRANSFERS

As at the date of this announcement, and immediately prior to Completion, SMIT Xintech is an indirect wholly-owned subsidiary of the Company, and the financial results and financial position of the SMIT Xintech Group are consolidated in the consolidated financial statements of the Company.

Immediately after Completion, SMIT Xintech will cease to be a subsidiary, and will become an indirectly held associated company, of the Company. Accordingly, the financial results and financial position of the SMIT Xintech Group will cease to be consolidated in the consolidated financial statements of the Company after Completion. Further, all assets and liabilities of SMIT Xintech Group will be derecognized, and the indirect interest held by the Company in SMIT Xintech Group as an associated company will be recognized as investments accounted for using the equity method on the consolidated financial statements of the Company (i) initially according to its fair value on the date of Completion; and (ii) subsequently measured by using equity method.

The estimated pre-tax gain on deemed disposal will be approximately US\$52 million, subject to the finalized net assets amount of SMIT Xintech Group as at the Completion date and final transaction expenses, without taking into consideration of any tax associated with the internal reorganization of SMIT Xintech Group and Equity Transfers which are still subject to the negotiation and finalization by the tax authority. The estimated pre-tax gain on deemed disposal is mainly derived from the difference between the fair value of associated company recognized by the Company and net assets of SMIT Xintech Group derecognized upon Completion, adjusted by the cumulative other comprehensive income of SMIT Xintech Group that are eligible to be reclassified to profit or loss and the transaction expenses directly attributable to the transaction.

USE OF PROCEEDS

As detailed in the paragraph headed “Consideration” above, the Consideration will be paid by the Investors and the Employee Shareholding Platforms through their respective payment of unpaid registered capital in SMIT Xintech, and the Group will not receive any cash consideration from the Equity Transfers. The capital injection by the Investors and the Employee Shareholding Platforms are expected to be used by SMIT Xintech mainly for funding EDA system design back-end and manufacturing-end tool development, commencing intellectual property and design service projects as well as any necessary merger and acquisition and capital expenditure.

SHAREHOLDING STRUCTURE OF SMIT XINTECH

Set out below is the shareholding structure of SMIT Xintech immediately before and after Completion (assuming there is no other change to the shareholding structure of SMIT Xintech between the date of this Announcement and the date of Completion):

Shareholders	Immediately before Completion		Immediately after Completion	
	Amount of capital contribution (RMB)	Approximate equity interest percentage of SMIT Xintech (%)	Amount of capital contribution (RMB)	Approximate equity interest percentage of SMIT Xintech (%)
SMIT Shenzhen	820,000,000	100.00	400,000,000	48.78
Guangzhou Lifeng Boxin	–	–	100,000,000	12.20
Shunzhitong	–	–	15,000,000	1.83
Gaowu Tianxuan	–	–	25,000,000	3.05
Xinqihang	–	–	50,000,000	6.10
Employee Shareholding Platform A	–	–	66,800,000	8.14
Employee Shareholding Platform B	–	–	66,800,000	8.14
Employee Shareholding Platform C	–	–	96,400,000	11.76
Total	<u>820,000,000</u>	<u>100.00</u>	<u>820,000,000</u>	<u>100.00</u>

INFORMATION ON THE SMIT XINTECH GROUP

SMIT Xintech is a company incorporated in the PRC with limited liability. Following an internal reorganization and as at the date of this announcement, SMIT Xintech wholly-owns Xi'an SMIT Semiconductor Co., Ltd.* (西安國微半導體有限公司) and Shenzhen SMIT Fuxin Technology Co., Ltd.* (深圳國微福芯技術有限公司) and held a 49% interest in Shanghai SMIT Xinxin Semiconductor Co., Ltd.* (上海國微芯半導體有限公司). SMIT Xintech Group is specialized in EDA system design back-end and manufacturing-end tool development and intellectual properties design services on EDA tools.

Financial information of SMIT Xintech Group

The unaudited financial information of the SMIT Xintech Group for the two years ended 31 December 2020 and 2021 prepared in accordance with the PRC GAAP is as follows:

	For the year ended 31 December	
	(unaudited)	
	2020	2021
	(RMB)	(RMB)
Net loss before tax	(1,880,408)	(24,213,658)
Net loss after tax	(1,880,408)	(24,213,658)

The unaudited net asset value of SMIT Xintech Group as at 31 August 2022 is RMB317,738,190.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS

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).

Guangzhou Lifeng Boxin

Guangzhou Lifeng Boxin is a limited partnership established in the PRC and managed by Guangzhou Lifeng Private Equity Fund Management Co., Limited* (廣州立豐私募基金管理有限公司) (“**Guangzhou Lifeng**”) as a general partner. Guangzhou Lifeng is a PRC private equity firm focused on investing in industries within the semi-conductor value chain. Guangzhou Lifeng was established in 2016 and currently has 10 investment funds with investments in more than ten enterprises in the PRC. Guangzhou Lifeng is held as to 52.5%, 30% and 17.5% by Guangzhou Hongchuang Enterprise Development Co., Ltd.* (廣州泓創企業發展有限公司) (“**Guangzhou Hongchuang**”), Guangzhou Jinhong Management Consulting Limited Partnership* (廣州金泓管理諮詢合夥企業(有限合夥)) (“**Guangzhou Jinhong**”) and an individual who is an Independent Third Party, respectively. Guangzhou Hongchuang is held as to approximately 51%, 39% and 10% by Mr. Qiu Xionghui (邱雄輝), Mr. Zhang Yuejun (張岳俊) and an individual who is an Independent Third Party respectively. Guangzhou Jinhong is held as to 40%, 35% and 25% by Guangzhou Hongchuang, Ms. Xiong Hongmei (熊紅梅) and another individual who is an Independent Third Party, respectively.

Shunzhitong

Shunzhitong is a limited partnership established in the PRC and managed by Shenzhen New Firm Private Equity Fund Management Co., Ltd.* (深圳布穀天闕股權投資基金管理有限公司) (“**New Firm**”) as its executive partner. New Firm is held as to Mr. Wang Lianghai (王良海) as to 48% with the remaining 52% held by a total of seven Independent Third Parties each holding less than 30% shareholding interest in New Firm. New Firm is a PRC investment firm focused on core technology industries, such as semiconductors and advanced manufacturing. New Firm has invested in approximately 40 investment projects since its establishment.

Gaowu Tianxuan

Gaowu Tianxuan is a limited partnership established in the PRC and managed by Qianhai ABC Yueke Investment Management (Shenzhen) Co., Ltd.* (前海亞商粵科投資管理(深圳)有限公司) (“**ABC Yueke**”) as its executive partner. ABC Yueke is the venture capital and equity investment arm of ABC Capital, and currently has around 20 investment funds with investments in more than 120 investment projects. ABC Yueke is owned as to 60% and 40% by Shanghai ABC Equity Investment Management Limited* (上海亞商股權投資管理有限公司) (“**ABC Equity**”) and Shenzhen ABC Innovation Investment Center Limited Partnership* (深圳亞商創新投資中心(有限合夥)) (“**ABC Innovation**”), respectively. ABC Equity is held as to 50% by Shanghai ABC Development Group Co., Ltd.* (上海亞商發展集團有限公司) (“**ABC Development**”) and with the remaining 50% interest being held by five individuals each an Independent Third Party holding less than 30% shareholding interest in ABC Equity. ABC Development is held as to 57% by Mr. Chan Qiwei (陳琦偉) with the remaining 43% interest being held by four individuals each an Independent Third Party holding less than 30% shareholding interest in ABC Development. Mr. Chan Qiwei and two other shareholders of ABC Development are also minority shareholders of ABC Equity. ABC Innovation is held as to 30%, 30%, 20% and 20% by Mr. Zhong Zhihui (鐘志輝), Shenzhen Jiashu Holding Co., Ltd.* (深圳嘉樹控股有限公司) (“**Shenzhen Jiashu**”) and two individuals who are Independent Third Parties, respectively. Shenzhen Jiashu is wholly-owned by Mr. Zhong Zhihui. Mr. Zhong Zhihui is also one of the minority shareholders of ABC Equity.

Xinqihang

Xinqihang is a limited partnership established in the PRC. Xinqihang is also managed by ABC Yueke as its general partner.

The Employee Shareholding Scheme and the Employee Shareholding Platforms

An employee shareholding scheme of SMIT Xintech (the “**Employee Shareholding Scheme**”) will be established to introduce whereby the eligible employees of SMIT Xintech Group will be provided with opportunities to indirectly invest in SMIT Xintech and share the company’s future growth and success through the three Employee Shareholding Platforms.

A total of 157 employees will be participating in the Employee Shareholding Scheme (the “**Participants**”), each an Independent Third Party.

To implement the Employee Shareholding Scheme, the Employee Shareholding Platforms have been established in the PRC to hold certain equity interests in SMIT Xintech upon Completion.

Employee Shareholding Platform A

Employee Shareholding Platform A is a limited partnership established in the PRC, and is held as to approximately 0.01% by the Shenzhen Xinzhan Software Technology Services Co., Ltd.* (深圳芯展軟件技術服務有限責任公司) (“**Shenzhen Xinzhan**”) (as general partner), and approximately 49.39% and 50.60% by Shenzhen Xinrui Software Limited Partnership* (深圳芯睿軟件合夥企業(有限合夥)) (“**Shenzhen Xinrui**”) and Shenzhen Xinhan IC Limited Partnership* (深圳芯瀚集成電路合夥企業(有限合夥)) (“**Shenzhen Xinhan**”) respectively (as limited partners).

Shenzhen Xinzhan is wholly-owned by Ms. Yu Mengyao (喻夢瑤女士). Each of Shenzhen Xinrui and Shenzhen Xinhan is held as to approximately 0.04% by Ms. Yu Mengyao (as general partner) and 99.96% by Ms. Liu Hongrong (劉紅榮) (as limited partner). Pursuant to the implementation of the Employee Shareholding Scheme, the limited partner interests are expected to be transferred to the relevant Participants by 31 January 2023. Each of Ms. Yu Mengyao and Ms. Liu Hongrong is an employee of SMIT Xintech Group.

Employee Shareholding Platform B

Employee Shareholding Platform B is a limited partnership established in the PRC, and held as to approximately 0.01% by the Shenzhen Ruixin Software Co., Ltd.* (深圳瑞芯軟件有限責任公司) (“**Shenzhen Ruixin**”) (as general partner), and approximately 49.39% and 50.60% by Shenzhen Hongxin Software Limited Partnership* (深圳宏芯軟件合夥企業(有限合夥)) (“**Shenzhen Hongxin**”) and Shenzhen Shengxin Software Limited Partnership* (深圳盛芯軟件合夥企業(有限合夥)) (“**Shenzhen Shengxin**”) respectively (as limited partners).

Shenzhen Ruixin is held as to 90% and 10% by Ms. Liu Hongrong and Ms. Yu Mengyao, respectively. Shenzhen Hongxin is held as to approximately 0.04% by Ms. Yu Mengyao (as general partner) and 99.96% by Ms. Liu Hongrong (as limited partner). Shenzhen Shengxin is held as to approximately 0.04% by Ms. Liu Hongrong (as general partner) and 99.96% by Ms. Yu Mengyao (as limited partner). Pursuant to the implementation of the Employee Shareholding Scheme, the limited partner interests are expected to be transferred to the relevant Participants by 31 January 2023.

Employee Shareholding Platform C

Employee Shareholding Platform C is a limited partnership established in the PRC, and is held as to approximately 0.01% by the Shenzhen Tongxin Software Technology Services Co., Ltd.* (深圳同芯軟件技術服務有限責任公司) (as general partner), and approximately 68.87% and 31.12% by Shenzhen Chuangxin Software Limited Partnership* (深圳創芯軟件合夥企業(有限合夥)) (“**Shenzhen Chuangxin**”) and Shenzhen Xinsheng Software Limited Partnership* (深圳芯勝軟件合夥企業(有限合夥)) (“**Shenzhen Xinsheng**”) respectively (as limited partners).

Shenzhen Tongxin is held as to 90% and 10% by Ms. Liu Hongrong and Ms. Yu Mengyao, respectively. Shenzhen Chuangxin is held as to approximately 0.1% by Ms. Liu Hongrong (as general partner) and 99.9% by Ms. Yu Mengyao (as limited partner), and Shenzhen Xinsheng is held as to 10% by Ms. Yu Mengyao (as general partner) and 90% by Ms. Liu Hongrong (as limited partner). Pursuant to the implementation of the Employee Shareholding Scheme, the limited partnership interests in each of Shenzhen Chuangxin and Shenzhen Xinsheng are expected to be transferred to the relevant Participants by 31 January 2023.

The subscription of equity interests in the Employee Shareholding Platforms by the Participants will be financed by such Participants’ own funds and other funds raised or derived by Participants as permitted by applicable laws and regulations.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Employee Shareholding Platforms and their respective ultimate beneficial owners (including the general partner, each limited partner and the Participants) are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENTS AND IMPLEMENTING THE EMPLOYEE SHAREHOLDING SCHEME

Reference is made to the voluntary announcement published by the Company on 8 March 2022 in which the Company announced that, in view of the substantial capital expenses required to sustain the development of EDA products, the Board had resolved to formulate a plan to scale down and cease the EDA business of the Company. Against this background and considering the increasing costs of attracting and retaining talent in the EDA industry, the Company has been seeking investors to invest in the EDA business of the Company. The Equity Transfers would (A) allow the Investors and the Participants (through the Employee Shareholding Scheme and the Employee Shareholding Platforms) to contribute investment capital to SMIT Xintech, which would provide the company with working capital to fund existing and future research and development projects and other capital expenditure requirements; and (B) also allow the Company, through its investment interest held in SMIT Xintech, to benefit from any potential upward development of SMIT Xintech Group in the future.

In addition, the success of SMIT Xintech relies heavily on the technological knowledge, innovation and contributions of its employees. The establishment of the Employee Shareholding Scheme allows SMIT Xintech to reward its employees for their contributions and provide incentives for retention of such employees and their continued services to the company by providing them with a platform to invest in SMIT Xintech and share the company's future growth and success. The Company considers that the implementation of the Employee Shareholding Scheme allows employees' interests to be aligned with that of SMIT Xintech and its shareholders. Through the Employee Shareholding Scheme, high-performing employees would have greater incentives to stay and perform well in SMIT Xintech and continue to make long-term contributions.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreements, Shareholders' Agreement, the Employee Shareholding Scheme and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable 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 Transfers is more than 25% but less than 75%, the Equity Transfers constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Equity Transfers, and as such no Shareholders are required to abstain from voting in favour of the resolution approving the Equity Transfers.

As at the date of this announcement, each of Ever Expert Holdings Limited ("**Ever Expert**") and Mr. Huang Xueliang ("**Mr. Huang**") directly holds 168,134,777 and 5,043,624 shares, respectively, in the Company, which in aggregate represent approximately 54.06% of the entire issued share capital of the Company. Ever Expert is a company indirectly owned by Mr. Huang as to 99%, hence Ever Expert and Mr. Huang are a closely allied group of shareholders of the Company for the purpose of Rule 14.44 of the Listing Rules.

The Company proposes to obtain written approval for the Equity Transfers in accordance with Rule 14.44 of the Listing Rules from each of Ever Expert and Mr. Huang as shareholders of the Company. Accordingly, no general meeting will be convened for the purpose of approving the Equity Transfers as permitted under Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Equity Transfers and such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 October 2022.

SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE EQUITY TRANSFERS ARE SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE EQUITY TRANSFERS MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OF THE COMPANY.

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)
“Completion”	the completion of the Equity Transfer Agreements including the completion of the relevant company registration process in the PRC
“Directors”	the director(s) of the Company
“EDA”	electronic design automation
“Equity Transfers”	the transfer of a total of RMB420 million of Non-paid-up Equity Interest in SMIT Xintech from SMIT Shenzhen to the Investors and the Employee Shareholding Platforms in accordance with the terms of the Equity Transfer Agreements

“Equity Transfer Agreements”	the seven equity transfer agreements dated 23 September 2022 entered into by SMIT Shenzhen with each of the Investors and the Employee Shareholding Platforms respectively in relation to the Equity Transfers
“Employee Shareholding Platforms”	Employee Shareholding Platform A, Employee Shareholding Platform B and Employee Shareholding Platform C
“Employee Shareholding Platform A”	Shenzhen Xinsheng Software Limited Partnership* (深圳芯盛軟件合夥企業(有限合夥)), a limited partnership established in the PRC
“Employee Shareholding Platform B”	Shenzhen Xinqi Software Limited Partnership* (深圳芯啟軟件合夥企業(有限合夥)), a limited partnership established in the PRC
“Employee Shareholding Platform C”	Shenzhen Xincheng Software Limited Partnership* (深圳芯承軟件合夥企業(有限合夥)), a limited partnership established in the PRC
“Gaowu Tianxuan”	Guangdong Gaowu Tianxuan Equity Investment Limited Partnership* (廣東高梧天璇投資合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Group”	the Company and its subsidiaries
“Guangzhou Lifeng Boxin”	Guangzhou Lifeng Boxin VC Limited Partnership* (廣州立豐博芯創業投資合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Independent Third Party”	a party who is not connected person of the Company and is a third party independent of the Company and the connected persons of the Company
“Investors”	Guangzhou Lifeng Boxin, Shunzhitong, Gaowu Tianxuan and Xinqihang
“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
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Agreement”	a shareholders’ agreement dated 23 September 2022 entered into by the parties to the Equity Transfer Agreements to govern in relation to, among other matters, the affairs, business and management of SMIT Xintech, the relationship, the rights and obligations among the shareholders of SMIT Xintech
“Shunzhitong”	Gongqingcheng Shunzhitong VC Limited Partnership* (共青城順之通創業投資合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“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
“SMIT Xintech”	Shenzhen SMIT Xintech Co., Ltd.* (深圳國微芯科技有限公司), a company established under the laws of the PRC with limited liability and, as at the date of this announcement, a wholly-owned subsidiary of the Company
“SMIT Xintech Group”	SMIT Xintech and its subsidiaries and associated company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinqihang”	Shenzhen Xinqihang VC Limited Partnership* (深圳芯起航創業投資合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“%”	per cent

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

By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

Hong Kong, 23 September 2022

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

* *For identification purpose only*