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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 TRANSACTIONS  
TENANCY AGREEMENT AND PROPERTY  
MANAGEMENT SERVICES AGREEMENT**

Reference is made to the announcement of the Company dated 29 October 2019 regarding the Existing Property Leasing Framework Agreement. Pursuant to the Existing Property Leasing Framework Agreement, the Group rented certain office spaces in Shenzhen and Shanghai (including the Premises) from time to time.

As the Existing Property Leasing Framework Agreement expired on 31 December 2022, on 1 January 2023, SMIT Shenzhen entered into the Tenancy Agreement for a term of 12 months with immediate effect with Shenzhen Digital TV, the landlord and a connected person of the Company. On the same date, SMIT Shenzhen entered into a Property Management Services Agreement with Shenzhen Digital TV and Shenzhen Excellence Property, an independent third party property services company.

Shenzhen Digital TV is a connected person of the Company as it is owned as to approximately 65.62% by Shenzhen Qianhai Guowei Investment Co., Ltd.\* (深圳前海國微投資有限公司), which in turn is owned as to 99.01% and 0.99% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company, and his spouse respectively. Accordingly, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap for the Tenancy Agreement and the Property Management Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 29 October 2019 regarding the Existing Property Leasing Framework Agreement. Pursuant to the Existing Property Leasing Framework Agreement, the Group rented certain office spaces in Shenzhen and Shanghai (including the Premises) from time to time from companies controlled by Mr. Huang Xueliang, an executive Director and controlling shareholder of the Company.

## **THE TENANCY AGREEMENT**

As the Existing Property Leasing Framework Agreement expired on 31 December 2022, on 1 January 2023, SMIT Shenzhen entered into the Tenancy Agreement with Shenzhen Digital TV.

The principal terms of the Tenancy Agreement are set out as follows:

1. Date: 1 January 2023
2. Parties:
  - (i) SMIT Shenzhen, as tenant
  - (ii) Shenzhen Digital TV, as landlord

3. Premises: 14th and 22nd floor of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. Gross floor area: Approximately 2547.87 square meters
5. Term: 12 months, from 1 January 2023 to 31 December 2023
6. Rent: RMB437,520.24 per month (the “Rent”)

### **THE PROPERTY MANAGEMENT SERVICES AGREEMENT**

On the same date as the Tenancy Agreement, SMIT Shenzhen entered into the Property Management Services Agreement with Shenzhen Digital TV and Shenzhen Excellence Property, an independent third party property service provider in respect of the Premises.

The principal terms of the Property Management Services Agreement are set out as follows:

1. Date: 1 January 2023
2. Parties:
  - (i) SMIT Shenzhen, as tenant
  - (ii) Shenzhen Digital TV, as landlord
  - (iii) Shenzhen Excellence Property, as property service provider
3. Premises: 14th and 22nd floor of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. Gross floor area: Approximately 2547.87 square meters
5. Term: 12 months, from 1 January 2023 to 31 December 2023

6. Management Fees payable to Shenzhen Digital TV:
- (i) management fees at the rate of RMB18 per square meter per month;
  - (ii) air-conditioning fees at the rate of RMB7.64 per square meter per month; and
  - (iii) other miscellaneous property maintenance fees (e.g. utilities fees) to be charged based on the usage of SMIT Shenzhen

(collectively, the “**Management Fees**”)

## **BASIS OF DETERMINATION OF THE RENT AND THE MANAGEMENT FEES**

The terms of the Tenancy Agreement, including the Rent, have been determined after arm’s length negotiation between the parties with reference to (i) the prevailing market rates for similar properties (e.g. with respect to floor space and age of the building) in the vicinity; (ii) the rent guidelines set out in the city housing tenancy management department policy of Shenzhen, the PRC; and (iii) the historical rates of rents payable under the Existing Property Leasing Framework Agreement.

The terms of the Property Management Services Agreement, including the Management Fees, have been determined after arm’s length negotiation between the parties with reference to (i) the prevailing market rates of property management services for comparable premises; and (ii) the historical rates of management fees payable under the Existing Property Leasing Framework Agreement.

## **ANNUAL CAP AND HISTORICAL FIGURES**

For the financial years ended 31 December 2020, 2021 and the 11 months ended 30 November 2022, the total rents and management fees paid pursuant to the Existing Property Leasing Framework Agreement, were approximately RMB14.3 million, RMB15.6 million and RMB11.8 million, respectively.

For the financial year ending 31 December 2023, the maximum aggregate Rents and Management Fees for the Tenancy Agreement and Property Management Services Agreement will not exceed RMB7,000,000 (the “**Annual Cap**”).

The Annual Cap is determined with reference to (i) the gross floor area of the relevant premises (approximately 2547.87 sq.m.); (ii) the Rent payable in accordance with the Tenancy Agreement; (iii) the total number of employees working in the Premises and the the estimated use of utilities and other management services; and (iv) the pricing standard of Management Fees payable under the Property Management Services Agreement.

The decrease in the amount of the Annual Cap as compared to the historical rents and management fees paid pursuant to the Existing Property Leasing Framework Agreement is mainly due to the reduction in gross floor area covered under the Tenancy Agreement and the Property Management Services Agreement.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENT AND PROPERTY MANAGEMENT SERVICES AGREEMENT**

Considering the development plan and needs of the Group, SMIT Shenzhen intends to continue to rent the Premises as the Shenzhen office of the Group has been located at the Premises since 2019. The Tenancy Agreement and Property Management Services Agreement will allow the Group to secure the Premises going forward.

The Directors (including the independent non-executive Directors and excluding Mr. Huang Xueliang, who have abstained from voting on the relevant resolutions approving the Tenancy Agreement and Property Management Services Agreement) are of the view that the Tenancy Agreement and the Property Management Services Agreement were entered into on normal commercial terms, in the ordinary and usual course of business of the Group and that the terms of the Tenancy Agreement and the Property Management Services Agreement, including the Rent and the Management Fees, and the Annual Cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INTERNAL CONTROL MEASURES**

The Company has established various internal control measures in order to ensure that the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement accord with the pricing terms:

- The finance department and the audit committee of the Company will conduct regular checks to review and assess whether the continuing connected transactions are conducted in accordance with the Tenancy Agreement and Property Management Services Agreement.
- The independent non-executive Directors will conduct an annual review and ensure that the Company complies with the Listing Rules requirement of disclosing the transaction amounts in the annual report.
- The executive Directors (excluding Mr. Huang Xueliang) will closely monitor the Rent and Management Fees paid or payable pursuant to the Tenancy Agreement and Property Management Services Agreement on a quarterly basis to ensure that the Annual Cap is not exceeded and to ensure the implementation of the relevant internal control measures as mentioned above.

## **INFORMATION ON THE COMPANY AND THE PARTIES TO THE TENANCY AGREEMENT AND THE PROPERTY MANAGEMENT SERVICES AGREEMENT**

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

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 primarily engaged in the business of designing, developing and marketing security devices such as CAMs (for the paid TV industry).

Shenzhen Digital TV is a company engaged in the research and development of digital TV related technology. Shenzhen Digital TV is owned as to approximately 65.62% by Shenzhen Qianhai Guowei Investment Co., Ltd.\* (深圳前海國微投資有限公司) (“**Qianhai Guowei**”) and a diverse group of shareholders each holding a less than 10% equity interest. Qianhai Guowei is owned as to 99.01% and 0.99% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company, and his spouse respectively.

Shenzhen Excellence Property is a company engaged in providing property management related services. Shenzhen Excellence Property is indirectly wholly-owned by Excellence Commercial Property & Facilities Management Group Limited (stock code: 6989), a company which shares are listed on the Main Board of the Stock Exchange. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Shenzhen Excellence Property and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

## **LISTING RULES IMPLICATIONS**

Shenzhen Digital TV is a connected person of the Company as it is owned as to approximately 65.62% by Qianhai Guowei which in turn is owned as to 99.01% and 0.99% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company, and his spouse respectively. Accordingly, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Annual Cap for the Tenancy Agreement and the Property Management Services Agreement on aggregated basis is more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A 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
“Existing Property Leasing Framework Agreement”	a 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 and Shenzhen
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	14th and 22nd floor of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Property Management Services Agreement”	the property management services agreement dated 1 January 2023 entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellence Property



“SMIT Shenzhen”	SMIT Group Limited* (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)
“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 Property”	Shenzhen Excellence Property Management Co, Ltd* (深圳市卓越物業管理有限責任公司), a company established under the laws of the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 1 January 2023 entered into between SMIT Shenzhen and Shenzhen Digital TV

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

Hong Kong, 3 January 2023

*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*