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SMIT HOLDINGS LIMITED

國微技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 21 May 2019 (after trading hours), SMIT Shenzhen (as the purchaser), the Seller, the Target Company and HTHX Fund entered into the Equity Transfer Agreement, pursuant to which SMIT Shenzhen agreed to purchase and the Seller agreed to sell approximately 0.99% equity interest of the Target Company at the consideration of RMB10 million.

LISTING RULES IMPLICATIONS

The Target Company is a non-wholly-owned subsidiary of the HTHX Fund. The HTHX Fund is controlled by its general partner, Hongxin VC, which in turns is controlled by its own general partner, Hongtai Investment. Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company) and Mr. Zeng Zhijie (a former non-executive Director of the Company) respectively holds a 30% and 40% interest in Hongtai Investment. Accordingly, each of the HTHX Fund and the Target Company is a connected person of the Company under the Listing Rules and the Acquisition 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 in the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition is subject to the announcement and annual reporting requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 21 May 2019 (after trading hours), SMIT Shenzhen (as the purchaser), the Seller, the Target Company and HTHX Fund entered into the Equity Transfer Agreement, pursuant to which SMIT Shenzhen agreed to purchase and the Seller agreed to sell approximately 0.99% equity interest of the Target Company at the consideration of RMB10 million.

THE EQUITY TRANSFER AGREEMENT

Date: 21 May 2019 (after trading hours)

Parties: (i) SMIT Shenzhen (as the purchaser);
(ii) Seller;
(iii) Target Company; and
(iv) HTHX Fund

The principal terms of the Equity Transfer Agreement are summarised below.

Subject matter

Pursuant to the Equity Transfer Agreement, SMIT Shenzhen (as the purchaser), the Seller, the Target Company and HTHX Fund entered into the Equity Transfer Agreement, pursuant to which SMIT Shenzhen agreed to purchase and the Seller agreed to sell approximately 0.99% equity interest in the Target Company.

Consideration

Subject to the terms and conditions of the Equity Transfer Agreement, the consideration payable by SMIT Shenzhen is RMB10 million (the “**Consideration**”), which shall be settled in full within 20 days after the date of the Equity Transfer Agreement.

As at the date of this announcement, the registered capital of the Target Company is RMB1.01 billion. The Consideration of RMB10 million is determined based on the RMB10 million fully paid-up capital held by the Seller in the Target Company, which represents approximately 0.99% equity interest in the Target Company.

INFORMATION OF THE PARTIES

The Company, SMIT Shenzhen and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and is principally engaged in 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) and mPOS devices (for the mobile payment market) and the development of full process Electronic Design Automation ("EDA") system for chip design.

The Seller

The Seller is an individual shareholder who held approximately 0.99% interest in the Target Company prior to the Acquisition. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Seller is a third party independent of the Company and its connected persons.

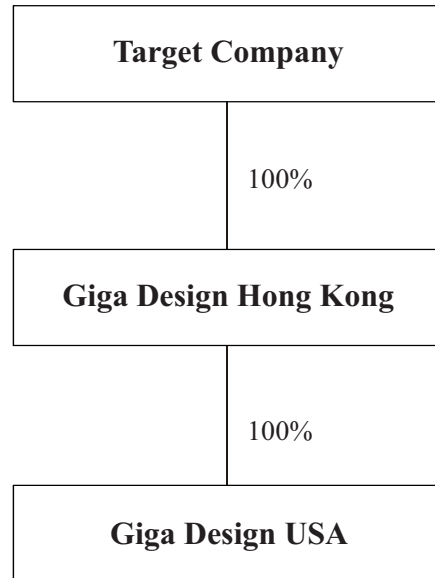
The HTHX Fund

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.

Shenzhen Hongtai Fund Investment Management Co., Ltd.* (深圳鴻泰基金投資管理有限公司) ("**Hongtai Investment**") is the general partner of Hongxin VC and holds 1% interest in Hongxin VC. Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company) and Mr. Zeng Zhijie (a former non-executive Director of the Company) are respectively interested in 30% and 40% of Hongtai Investment.

The Target Group

Set out below is the corporate structure of the Target Group as at the date of this announcement:



The Target Company is a limited liability company established in the PRC with a registered capital of RMB1.01 billion. The Target Company is 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 development stage.

Prior to the Acquisition, the Target was owned as to 99.01% by the HTHX Fund and 0.99% by the Seller, representing the RMB1 billion unpaid capital and RMB10 million paid-up capital subscribed by the HTHX Fund and the Seller respectively. Upon completion of the Acquisition, the Target will be owned as to 99.01% by the HTHX Fund and 0.99% by SMIT Shenzhen.

Giga Design Hong Kong is a company incorporated in Hong Kong with limited liability and its principal business is the development of EDA design software.

Giga Design USA is a company incorporated in the State of California, the United States of America, with limited liability and has no business activity at this stage.

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

	From incorporation to 31 December 2018 (unaudited) USD '000
Net loss before tax	1,524
Net loss after tax	1,524

As at 31 March 2019, the Target Group has an unaudited consolidated net liabilities (not including the unpaid capital of RMB1 billion subscribed by the HTHX Fund) of approximately USD566,500.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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. In 2018, the Group received approval from the PRC Central Government for the implementation of a national science and technology major project on the development and application of EDA system. The project signifies the Group's focus in developing the full process EDA system.

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. The Acquisition will allow the Group to be in touch with the latest EDA design software projects which in turn will further enhance the Group's capabilities in developing the full process EDA system.

Based on the above, the Directors (including the independent non-executive Directors but save for Mr. Huang Xueliang who abstained from the relevant Board resolution) consider the terms of the Equity Transfer Agreement and Consideration, which were determined after arm's length negotiations between the parties to the Equity Transfer Agreement, to be on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Target Company is a non-wholly-owned subsidiary of the HTHX Fund. The HTHX Fund is controlled by its general partner, Hongxin VC, which in turns is controlled by its own general partner, Hongtai Investment. Mr. Huang Xueliang (an executive Director and controlling shareholder of the Company) and Mr. Zeng Zhijie (a former non-executive Director of the Company) respectively holds a 30% and 40% interest in Hongtai Investment. Accordingly, each of the HTHX Fund and the Target Company is a connected person of the Company under the Listing Rules and the Acquisition 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 in the Listing Rules) in respect of the Acquisition exceeds 0.1% but all are less than 5%, the Acquisition is subject to the announcement and annual reporting requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Huang Xueliang abstained from voting on the Board resolutions approving the Equity Transfer Agreement in view of his interest in the HTHX Fund and the Target Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	The acquisition of approximately 0.99% equity interest in the Target Company pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Company”	SMIT Holdings Limited (國微技術控股有限公司), 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 Agreement”	the equity transfer agreement dated 21 May 2019 entered into between SMIT Shenzhen, the Seller, HTHX Fund and the Target Company in relation to the Acquisition

“Giga Design Hong Kong”	Giga Design Automation (HK) Limited, a company incorporated in Hong Kong with limited liability
“Giga Design USA”	Giga Design Automation Inc., a company incorporated in the State of California, the United States of America, with limited liability
“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
“Seller”	Ms. Li Xue (李雪), an individual shareholder who held approximately 0.99% interest in the Target Company prior to the Acquisition
“SMIT Shenzhen”	SMIT Group (Shenzhen) 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 incorporated under the laws of the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “connected transaction(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, 21 May 2019

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*