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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 – DEEMED DISPOSAL OF EQUITY INTERESTS IN S2C SHANGHAI**

#### **CAPITAL INJECTION**

The Board is pleased to announce that on 27 December 2019, the Company and its subsidiaries S2C Holding and S2C Shanghai, entered into the Capital Injection Agreement with the Investors, pursuant to which the Investors agreed to contribute a total of RMB309,821,000 into S2C Shanghai, of which RMB8,568,358 will be contributed as additional registered capital in S2C Shanghai and the remaining balance will be credited to the capital reserve in S2C Shanghai.

Upon Completion, the total registered capital of S2C Shanghai will increase from RMB8,296,748 to RMB16,865,106. Upon Completion, S2C Holding's equity interest in S2C Shanghai will decrease from 100% to 49.19% and S2C Shanghai will cease to become a subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

Given the Capital Injection will result in the dilution of the Company's equity interest in S2C Shanghai Group, the entering into of the Capital Injection Agreement constitute a deemed disposal of S2C Shanghai Group by the Group under Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Injection is more than 25% but less than 75%, the Capital Injection constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and 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 associates have any material interest in the Capital Injection. Thus, no Shareholders are required to abstain from voting in favour of the resolution approving the Capital Injection.

As at the date of this announcement, Green Flourish, Infortune, Statemicro and Mr. Huang, hold 128,656,454, 13,965,149, 15,957,463 and 5,043,624 shares respectively in the Company, representing a total of approximately 51.42% of the entire issued share capital of the Company. Each of Green Flourish and Infortune is a company wholly-owned by Mr. Huang and Statemicro is held as to 50% by Mr. Huang. Hence, Green Flourish, Infortune, Statemicro and Mr. Huang are a closely allied group of shareholders of the Company for the purpose of Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written approval for the Capital Injection has been obtained from the aforesaid closely allied group of Shareholders on the date of the Capital Injection Agreement. Accordingly, no extraordinary general meeting of the Group will be convened for the purpose of approving the Capital Injection.

A circular containing, among other things, further details of the Capital Injection and such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 January 2020.

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE CAPITAL INJECTION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE CAPITAL INJECTION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.**

## INTRODUCTION

The Board is pleased to announce that on 27 December 2019, the Company and its subsidiaries S2C Holding and S2C Shanghai, entered into the Capital Injection Agreement with the Investors, principal terms of which are set out below:

### THE CAPITAL INJECTION AGREEMENT

1. **Date:** 27 December 2019
2. **Parties:**
  - (i) the Company
  - (ii) S2C Holding (as existing shareholder)
  - (iii) the Investors (as investors)
  - (iv) S2C Shanghai (as the target)

Immediately prior to the signing of the Capital Injection Agreement, the Company is interested in approximately 95.43% of S2C Holding, which in turn is interested in 100% of S2C Shanghai.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## Capital Injection

Pursuant to the Capital Injection Agreement, the Investors agreed to contribute a total of RMB309,821,000 into S2C Shanghai, of which RMB8,568,358 will be contributed as additional registered capital in S2C Shanghai and the remaining balance will be credited to the capital reserve in S2C Shanghai.

### Effect on equity holding structure in S2C Shanghai

Prior to Completion, S2C Shanghai was a wholly-owned subsidiary of S2C Holding. Upon Completion, the total registered capital of S2C Shanghai will increase from RMB8,296,748 to RMB16,865,106, and its shareholding structure will be as follows:

Shareholder	Approximate shareholding in S2C Shanghai
S2C Holding	49.19%
Lingang Fund	24.60%
Shanghai Haoma	0.85%
Shanghai Peihan	4.62%
Shanghai Hongting	3.28%
Gongqing Ruiyuan	4.10%
Mr. Zou Jijian (“ <b>Mr. Zou</b> ”)	3.93%
Mr. Hou Yuqing (“ <b>Mr. Hou</b> ”)	6.15%
Ms. Li Xue (“ <b>Ms. Li</b> ”)	3.28%

Upon Completion, S2C Shanghai will cease to become a subsidiary of the Company.

### Conditions of the Capital Injection

The Completion of the Capital Injection Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

- (a) the Company and S2C Holding have obtained all necessary approvals, consents or agreements internally (including approvals from the Board and shareholders of the Company) and from other third parties on the transaction contemplated under the Capital Injection Agreement, and such necessary approvals, consents or agreements will have no substantial impact on the terms and conditions of the Capital Injection Agreement, the Shareholders’ Agreement and other ancillary documents;
- (b) The Company and S2C Holding have provided Lingang Fund with the 12-month business development plan and financial budget of S2C Shanghai (in the form approved by Lingang Fund);

- (c) S2C Shanghai has completed the pre-completion intra-group reorganization of S2C Shanghai (which includes the acquisition of S2C HK by S2C Shanghai, and the acquisition of S2C US and S2C Japan by S2C HK);
- (d) the relevant registration process for the Capital Injection has been completed and the new business license has been obtained by S2C Shanghai; and
- (e) S2C Shanghai has provided the bank account details for the purpose of receiving the first instalment of the Capital Injection.

As at the date of this announcement, except for item (d), all of the above conditions precedent have been satisfied.

### **Basis of determining the amount of the Capital Injection**

The consideration to be paid by each of the Investors is arrived at after arm's length negotiations between parties to the Capital Injection Agreement and took into account, among other things, the current operation results and the future business plan of S2C Shanghai Group and with reference to the valuation of comparable companies with similar business activities, industry, size and future prospects.

### **Payment of term of the Capital Injection**

The Investors shall pay the Capital Injection in full in cash by two equal instalments. The first instalment shall be paid by the Investors by 31 December 2019, except for Lingang Fund who shall pay RMB50 million by 31 December 2019 and its remaining amount of the first instalment of RMB25 million within 10 days upon satisfaction (or waiver) of the conditions precedent set out in the paragraph "Conditions of the Capital Injection" above. The second instalment shall be paid within 10 days upon satisfaction (or waiver) of the following:

- (a) S2C Shanghai has provided the Investors with the unaudited consolidated management accounts of S2C Shanghai Group for the period from the payment date of the first instalment of the Capital Injection to the month prior to the payment of the second instalment of the Capital Injection;
- (b) S2C Shanghai has delivered the objectives set under the business development plan of S2C Shanghai and has been reasonably approved by the Investors;
- (c) no material adverse change or any event which may cause material adverse change on any of the members of the S2C Shanghai Group;
- (d) no material breach of the Capital Injection Agreement, the Shareholders' Agreement and other ancillary documents by any of S2C Shanghai, S2C Holding and the Company; and
- (e) S2C Shanghai has provided the bank account details for the purpose of receiving the second instalment of the Capital Injection.

## **SHAREHOLDERS' AGREEMENT**

On 27 December 2019, a shareholders' agreement has also been entered into by the parties to the Capital Injection Agreement to govern in relation to, among other matters, the affairs, business and management of S2C Shanghai, the relationship, the rights and obligations among the shareholders of S2C Shanghai.

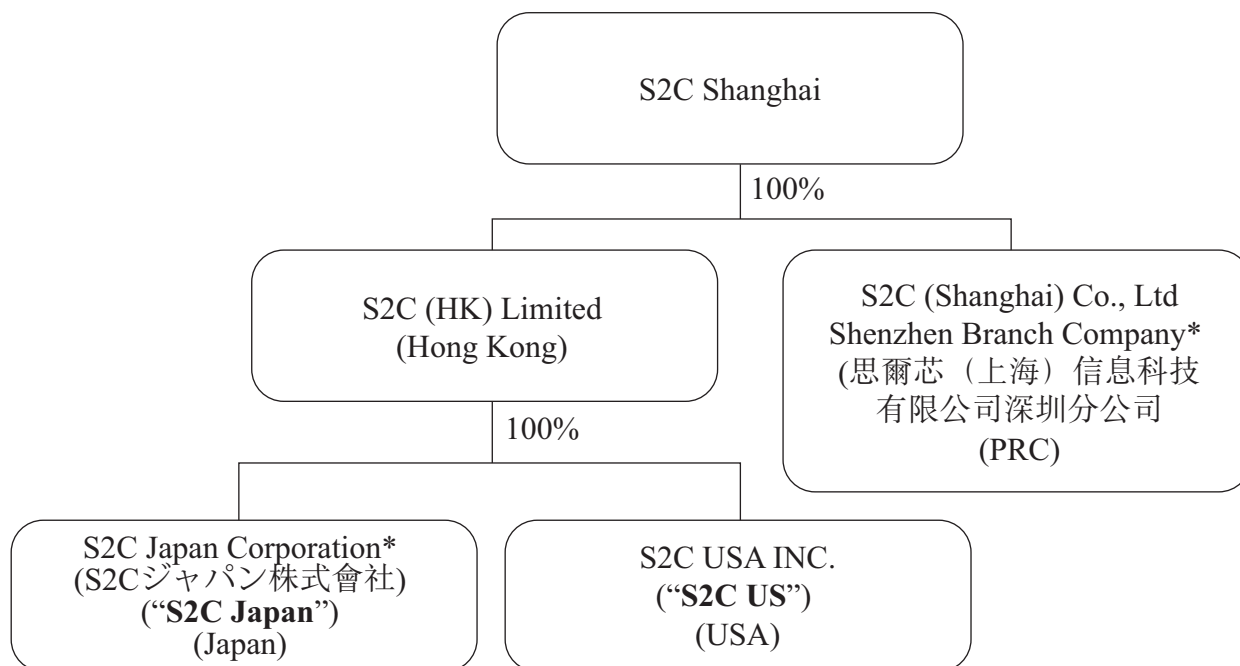
## **FINANCIAL EFFECT OF THE CAPITAL INJECTION**

Prior to Completion, S2C Shanghai Group are subsidiaries of the Company. The financial results and financial positions of S2C Shanghai Group are consolidated in the consolidated financial statements of the Company. Immediately upon Completion, S2C Shanghai Group will cease to be subsidiaries of the Company and become associated companies of the Company. The Capital Injection will be accounted for as a deemed disposal transaction. Accordingly, the financial results and financial position of S2C Shanghai Group will cease to be consolidated in the financial statements of the Company after Completion. All assets and liabilities of S2C Shanghai Group, including goodwill and intangible assets attributable to S2C Shanghai Group, will be derecognized. The interest in S2C Shanghai Group held by the Company as associated companies will be recognized as an asset according to its fair value initially and measured by using equity method subsequently. The estimated gain on deemed disposal transaction will be no less than US\$20 million, subject to the finalized net assets amount of S2C Shanghai Group as at the Completion date and transaction expenses. The estimated gain is mainly derived from the difference between the fair value of the associated companies recognized by the Company and net assets of S2C Shanghai Group derecognized upon Completion, adjusted by the cumulative other comprehensive income of S2C Shanghai Group that are eligible to be reclassified to profit or loss and the transaction expenses directly attributable to the transaction.

## **INFORMATION ON S2C SHANGHAI GROUP**

S2C Shanghai is a company incorporated in the PRC with limited liability. S2C Shanghai Group is a hardware-based rapid verification system and software supplier.

Set out below is the corporate structure of the S2C Shanghai Group as at the date of this announcement:



### Combined Financial Information on S2C Shanghai Group

The following are the unaudited combined financial information on S2C Shanghai Group for the two years ended 31 December 2017 and 2018:

	<b>For the year ended 31 December</b>	
	<b>2017</b> <i>(USD'000)</i>	<b>2018</b> <i>(USD'000)</i>
Net loss before tax	287	1,020
Net loss after tax	287	471
Net liabilities value	1,282	1,753

### INFORMATION ON THE COMPANY AND S2C HOLDING

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

S2C Holding is a company incorporated in the British Virgin Islands with limited liability. Its principal function is investment holding. As at the date of this announcement, the Company holds an approximately 95.43% interest in S2C Holding.

## **INFORMATION ON THE INVESTORS**

Lingang Fund is a limited partnership established in the PRC, with Shanghai Linchuang Investment Management Company Limited\* (上海臨創投資管理有限公司) as its general partner. The limited partners of Lingang Fund are Shanghai Lingang Guanwei Investment Development Company Limited\* (上海臨港管偉投資發展有限公司) and Shanghai Lingang Economic Development Group Technology Investment Company Limited\* (上海臨港經濟發展集團科技投資有限公司). Each of the general partner and limited partners of Lingang Fund are ultimately held by PRC state-owned enterprises. The principal function of Lingang Fund is investment holding.

Shanghai Haoma is a limited partnership established in the PRC, with Mr. Xiong Shikun as its general partner. Shanghai Haoma has 20 limited partners, all of which are employees of S2C Shanghai Group. The principal function of Shanghai Haoma is investment holding.

Shanghai Peihan is a limited partnership established in the PRC, with Mr. Chen Jiafu as its general partner. Shanghai Peihan has 23 limited partners, including certain employees of the Group. The principal function of Shanghai Peihan is investment holding.

Shanghai Hongting is a limited partnership established in the PRC, with Mr. Huang Huasong as its general partner. Shanghai Hongting has 5 limited partners, each an individual investor. The principal function of Shanghai Hongting is investment holding.

Gongqing Ruiyuan is a limited partnership established in the PRC, with Ms. Zhou Lili as its general partner. Gongqing Ruiyuan has 3 limited partners, each an individual investor. The principal function of Gongqing Ruiyuan is investment holding.

Each of Mr. Zou, Mr. Hou and Ms. Li is an individual investor.

## **USE OF AMOUNT RECEIVED FROM THE CAPITAL INJECTION**

The amount of Capital Injection provided by the Investors will be used by S2C Shanghai mainly for funding the existing and future research and development projects and other capital expenditure requirements. S2C Shanghai will expand its sales channel from hardware sales to provision of verification services through cloud computing. A substantial portion of the amount received from the capital injection will be spent on the IT equipment required for delivering the verification services through cloud computing, and part of the amount will be spent on potential acquisition by S2C Shanghai.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

S2C Shanghai Group is a high-tech research and development company and requires substantial investment capital to continue its growth and development, especially given that S2C Shanghai Group is planning to expand its sales channel to the provision of verification services through cloud computing, which requires a significant amount of capital investment within a short time for the acquisition of IT equipment. The entering into of the Capital Injection Agreement would allow S2C Shanghai to have sufficient working capital to fund the existing and future research and development projects and other capital expenditure requirements.

In addition, the introduction of investors from Shanghai may strengthen S2C Shanghai's application for local government support in Shanghai which has currently introduced certain policies beneficial to the business activities of S2C Shanghai.

The Directors (including the independent non-executive Directors) consider that the terms of the Capital Injection is on normal commercial terms, fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Given the Capital Injection will result in the dilution of the Company's equity interest in S2C Shanghai Group, the entering into of the Capital Injection Agreement constitute a deemed disposal of S2C Shanghai Group by the Group under Rule 14.29 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Capital Injection is more than 25% but less than 75%, the Capital Injection constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and 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 associates have any material interest in the Capital Injection. Thus, no Shareholders are required to abstain from voting in favour of the resolution approving the Capital Injection.

As at the date of this announcement, Green Flourish Limited ("**Green Flourish**"), Infortune International Limited ("**Infortune**"), Statemicroelectronics International Co., Ltd. ("**Statemicro**") and Mr. Huang Xueliang ("**Mr. Huang**"), hold 128,656,454, 13,965,149, 15,957,463 and 5,043,624 shares respectively in the Company, representing a total of approximately 51.42% of the entire issued share capital of the Company. Each of Green Flourish and Infortune is a company wholly-owned by Mr. Huang and Statemicro is held as to 50% by Mr. Huang. Hence, Green Flourish, Infortune, Statemicro and Mr. Huang are a closely allied group of shareholders of the Company for the purpose of Rule 14.44 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, written approval for the Capital Injection has been obtained from the aforesaid closely allied group of Shareholders on the date of the Capital Injection Agreement. Accordingly, no extraordinary general meeting of the Group will be convened for the purpose of approving the Capital Injection.

A circular containing, among other things, further details of the Capital Injection and such other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 21 January 2020.

**SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD BE AWARE THAT THE CAPITAL INJECTION IS SUBJECT TO A NUMBER OF CONDITIONS BEING SATISFIED, AND CONSEQUENTLY THE CAPITAL INJECTION MAY OR MAY NOT PROCEED. ACCORDINGLY, SHAREHOLDERS AND POTENTIAL INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.**



## DEFINITIONS

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

“Board”	the board of Directors
“Capital Injection”	the transaction contemplated under the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 27 December 2019 entered into between S2C Holding, S2C Shanghai, the Company and the Investors in relation to the capital injection by the Investors into S2C Shanghai
“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 Capital Injection Agreement
“Directors”	the director(s) of the Company
“Gongqing Ruiyuan”	Gongqing City Ruiyuan Investment Partnership* (共青城睿遠投資合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Group”	the Company and its subsidiaries
“Investors”	Lingang Fund, Shanghai Haoma, Shanghai Peihan, Shanghai Hongting, Gongqing Ruiyuan, Mr. Zou, Mr. Hou and Ms. Li
“Lingang Fund”	Shanghai Lingang Smart-Facturing Investment Fund Partnership* (上海臨港智兆股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“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
“RMB”	Renminbi, the lawful currency of the PRC
“S2C Holding”	S2C Holding Corporation, a company incorporated in the British Virgin Islands with limited liability and a subsidiary of the Company
“S2C Shanghai”	S2C Shanghai Co., Ltd.* (思爾芯(上海)信息科技有限公司), a company established under the laws of the PRC with limited liability. Prior to the Completion, S2C Shanghai is a subsidiary of the Company
“S2C Shanghai Group”	S2C Shanghai and its subsidiaries

“Shanghai Haoma”	Shanghai Haoma Enterprise Management Consulting Partnership* (上海灝馬企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Shanghai Hongting”	Shanghai Hongting Enterprise Management Consulting Partnership* (上海鴻霆企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Shanghai Peihan”	Shanghai Peihan Enterprise Management Consulting Partnership* (上海培瀚企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC, one of the Investors
“Shareholders’ Agreement”	a shareholders’ agreement dated 27 December 2019 entered into by the parties to the Capital Injection Agreement to govern in relation to, among other matters, the affairs, business and management of S2C Shanghai, the relationship, the rights and obligations among the shareholders of S2C Shanghai
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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, 30 December 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