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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)

**CONTINUING CONNECTED TRANSACTIONS
TENANCY AGREEMENT AND PROPERTY
MANAGEMENT SERVICES AGREEMENT**

On 14 December 2018, Shenzhen Digital TV, a connected person of the Company, entered into the Tenancy Agreement for a term of 6 months with SMIT Shenzhen, a wholly-owned subsidiary 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 management company and not connected to the Company.

Shenzhen Digital TV is a connected person of the Company as it is controlled as to 65.62% by Shenzhen Qianhai Guowei Investment* (深圳前海國微投資有限公司), which in turn is 100% owned as to Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As highest percentage ratio in respect of the annual caps 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 shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE TENANCY AGREEMENT

On 14 December 2018, Shenzhen Digital TV, a connected person of the Company, entered into the Tenancy Agreement with SMIT Shenzhen, a wholly-owned subsidiary of the Company, in respect of the Premises.

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

1. Date: 14 December 2018
2. Parties: (i) SMIT Shenzhen, as tenant;
(ii) Shenzhen Digital TV, as landlord.
3. Premises: 22nd and 23rd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. Term: 6 months, from 15 December 2018 to 14 June 2019 (both days inclusive)
5. Rent: RMB548,704.67 per month
6. Annual Cap: During the subsistence of the Tenancy Agreement, the annual cap amount is RMB3,292,228.

The annual cap for the Tenancy Agreement above is determined based on the actual rent payable under the Tenancy Agreement for the relevant period.

THE PROPERTY MANAGEMENT SERVICES AGREEMENT

On the same date as the Tenancy Agreement, SMIT Shenzhen, a wholly-owned subsidiary of the Company, entered into a tripartite Property Management Services Agreement with Shenzhen Digital TV, a connected person of the Company, and Shenzhen Excellence Property, an independent third party property management service provider in respect of the Premises.

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

1. Date: 14 December 2018
2. Parties: (i) SMIT Shenzhen;
(ii) Shenzhen Digital TV;
(iii) Shenzhen Excellence Property

3. Premises: 22nd and 23rd floors of Guoshi Building, No.1801 Shahe West Road, Nanshan District, Shenzhen
4. Term: 6 months, from 15 December 2018 to 14 June 2019 (both days inclusive)
5. Management Fees payable to Shenzhen Digital TV:
 - (i) Management fees at the rate of RMB16 per square meter per month;
 - (ii) Air-conditioning fees at the rate of RMB6 per square meter per month;
 - (iii) Other miscellaneous property maintenance fees estimated at RMB30,000 per month (collectively, “Management Fees”)
6. Annual cap: During the term of the Property Management Services Agreement, the annual cap amount for the Management Fees is at RMB518,928.

The annual cap amount for the Management Fees is determined based on the actual fees payable together with the Company’s estimate of miscellaneous property maintenance fees to be incurred based on normal business activity level during the term of the Property Management Services Agreement.

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

The Premises under the Tenancy Agreement and Property Management Services Agreement forms part of the expanded operation site of SMIT Shenzhen. The terms of the Tenancy Agreement and the Property Services Management Agreement have been determined after arm’s length negotiation between the parties with reference to (i) 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, (iii) the estimated area of the Premises and (iv) prevailing market rates of property management service costs with reference to annual consumer price index published by the PRC government and minimum wage fluctuations affecting property management companies in the vicinity.

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 two agreements allow the Group to secure additional office

space which forms part of the operation site of SMIT Shenzhen, and that the two agreements 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, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Except for Mr. Huang Xueliang, none of the Directors have a material interest in the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement and are required to abstain from voting.

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) and mPOS devices (for the mobile payment market).

Shenzhen Digital TV is a company engaged in the research and development of digital TV related technology. Shenzhen Digital TV is indirectly owned as to approximately 65.62% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company.

Shenzhen Excellence is a company engaged in providing property management related services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shenzhen Excellence 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 controlled as to 65.62% by Shenzhen Qianhai Guowei Investment* (深圳前海國微投資有限公司), a company established in the PRC which in turn is owned as to 100% by Mr. Huang Xueliang, an executive Director and a controlling shareholder of the Company. Accordingly, the transactions contemplated under the Tenancy Agreement and Property Management Services Agreement constitutes continuing connected

transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Tenancy Agreement and the Property Management Services Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As highest percentage ratio in respect of the annual caps 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 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
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	22 nd and 23 rd floors 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 14 December entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellance

“SMIT Shenzhen”	Shenzhen State Micro Technology Co., Ltd* (深圳國微技術有限公司), 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”	Shenzhen Excellence Property Management Co, Ltd* (深圳市卓越物業管理股份有限公司), 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 14 December 2018 entered into between SMIT Shenzhen and Shenzhen Digital TV

By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

Hong Kong, 14 December 2018

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. Zeng Zhijie, 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*