THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SMIT Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 S2C SHANGHAI

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 3 to 19 of this circular.

The Equity Transfer has been approved by way of written shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This Circular is being despatched to the Shareholders for information only.

24 October 2025

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This document has both English and Chinese versions. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.

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

"Board"	the board of Directors
"Business Day"	a day (other than any Saturday or Sunday) on which banks in PRC are generally open for business throughout their normal business hours
"Company"	SMIT Holdings Limited(國微控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2239)
"Completion"	the completion of the Equity Transfer Agreement
"Completion Date"	the date of Completion, which is the date falling on the 10th Business Day after the fulfilment (or waived, where applicable) of the conditions precedent (or such later date as S2C and the Investor may agree in writing) in the Equity Transfer Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration in the sum of RMB211,665,760 for the Equity Transfer
"Director(s)"	the director(s) of the Company
"Equity Transfer"	the transfer of 16% of equity interest in S2C Shanghai from S2C Holding to the Investor in accordance with the terms of the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated September 6 entered into between S2C Shanghai, S2C Holding, the Company and the Investor in relation to the Equity Transfer
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC

"Independent Third Party"	a party who is not connected person of the Company and is third party independent of the Company and the connected persons of the Company
"Investor"	China Bay Private Equity Fund Management Co., Ltd.(中灣私募基金管理有限公司), a company established under the laws of PRC with limited liability
"Latest Practicable Date"	24 October 2025 being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Huang"	Mr. Huang Xueliang(黃學良), the chairman, chief executive officer, executive Director and controlling shareholder of the Company
"PRC"	the People's Republic of China, which shall, for the purposes of this circular, 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 of the PRC
"S2C Holding"	S2C Holding Corporation, a company in the British Virgin Islands with limited liability
"S2C Shanghai"	S2C Ltd.(上海思爾芯技術股份有限公司), a company established under the laws of the PRC with limited liability
"S2C Shanghai Group"	S2C Shanghai and its subsidiaries
"Share(s)"	ordinary share(s) with a nominal value of US$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

In this circular, 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.

* *for identification purpose only*

SMIT HOLDINGS LIMITED
國微控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2239)

Executive Directors:
Mr. Huang Xueliang *(Chairman and chief executive officer)*
Ms. Chen Ying

Non-executive Directors:
Mr. Kwan, Allan Chung-yuen
Mr. Cai Jing

Independent Non-executive Directors:
Mr. Zhang Junjie
Mr. Woo Kar Tung, Raymond
Mr. Jin Yufeng
Ms. Zhang Min

Registered Office:
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26 Harbour Road
Wanchai, Hong Kong

24 October 2025

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION
DISPOSAL OF EQUITY INTEREST IN S2C SHANGHAI

INTRODUCTION

The Board is pleased to announce that on 6 September 2025, the Company, its subsidiary S2C Holding and S2C Shanghai entered into the Equity Transfer Agreement with the Investor, pursuant to which S2C Holding has conditionally agreed to sell, and the Investor has conditionally agreed to purchase, 16% of the equity interest in S2C Shanghai, at a consideration of RMB211,665,760.

THE EQUITY TRANSFER AGREEMENT

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

Date:

6 September 2025

Parties:

(i) S2C Shanghai (as the target)

(ii) S2C Holding (as transferor)

(iii) the Company

(iv) the Investor (as transferee)

Equity Transfer

Immediately prior to Completion, S2C Holding holds 29.75% of equity interests in S2C Shanghai. Upon Completion, S2C Holding will hold the remaining 13.75% of the equity interest in S2C Shanghai.

Pursuant to the Equity Transfer Agreement, S2C Holding has conditionally agreed to sell, and the Investor has conditionally agreed to purchase, 16% of the equity interest in S2C Shanghai. The Investor may nominate its related party or fund(s) set up or managed by the Investor as fund manager to complete the Equity Transfer.

Consideration

The Consideration of the Equity Transfer is RMB211,665,760, which was arrived at after arm's length negotiations between parties to the Equity Transfer Agreement taking into account, among other things, the current operation results and the future business plan of S2C Shanghai Group, as well as the appraised value of 16% of the equity interest of S2C Shanghai of approximately RMB212,179,000 conducted by an independent valuer commissioned by the Company.

The Consideration shall be settled entirely in cash by the Investor in two instalments in immediately available funds in the following manner:

(a) the Consideration, after deducting any enterprise income tax and other taxes payable by the Investor and RMB10,000,000, shall be paid on Completion Date; and

(b) the remaining RMB10,000,000 shall be paid on the date falling 12 months after the Completion Date.

Valuation

The valuation for the appraised value of 16% of the equity interest of S2C Shanghai was conducted by RHL Appraisal Limited (the "**Valuer**"), an Independent Third Party, based on the market approach. The Valuer is an established firm which provides comprehensive professional valuation consultancy services to both public and private companies. The Valuer has extensive experience in conducting business valuations for companies listed on the Stock Exchange.

The person-in-charge of the valuation, Mr. Vincent Lee, is a Chartered Financial Analyst (CFA) with over 20 years of experience in the corporate finance sector. Prior to joining RHL Appraisal Limited, Mr. Lee has accumulated extensive experience in both private and listed companies, handling M&A, deal transactions and also as research analyst in equity research firms. Mr. Lee is now the Associate Director of RHL International Group, mainly providing Corporate Advisory and Business Valuation services. His experience s as a financial valuer extends from valuation of businesses and projects for disclosure on public circulars on the Stock Exchange of Hong Kong, financial instruments and intellectual properties valuation, to compliance and corporate advisory related financial assessments and projects.

The valuation benchmark date of S2C Shanghai was 30 June 2025 (the "**Valuation Date**").

Valuation Approach

When selecting the valuation methodology, the three generally accepted methods, including the asset approach, market approach and the income approach, were considered.

In relation to asset approach, the future economic benefits associated with the subject asset and business operation might not be captured easily, as this approach primarily relies on the revaluation of items on S2C Shanghai's balance sheet as of the valuation date. This approach is particularly suited for companies with significant asset holding, such as properties and securities on their balance sheets, which is not applicable to S2C Shanghai.

Meanwhile, income approach relies primarily on the projection of future cash flows and estimation of the discount rate of S2C Shanghai. It is also not considered to be an appropriate approach as it involves the adoption of assumptions which are unobservable and more subjective as compared to the other approaches.

Market approach is appropriate to the valuation of S2C Shanghai since there are sufficient comparable companies listed in the stock exchanges in the PRC and the United States of America. This approach makes references to observable valuation multiples from comparable companies and thus provides a more objective valuation that reflects market conditions and investor sentiment as of the valuation benchmark date.

Based on the market approach, the Valuer first selected and analyzed comparable companies that are engaged in similar business as S2C Shanghai and shares of which are publicly traded. Depending on the nature of the underlying business and other companies' specific conditions, various multiples may be used to analyze the business ownership interest. Price-to-sales ratio, price-to-earnings ratio, price-to-book ratio, enterprise value-to-sales ("**EV/S**") ratio, enterprise value-to-EBIT ratio and EV-to-EBITDA ratio have taken into account.

In assessing the valuation of S2C Shanghai, which operates within the electronic design automation sector ("**EDA**"), an industry that is characterized by high growth potential, rapid technological innovation, and substantial investment in research and market development, S2C Shanghai has recorded negative net profit, EBIT and EBITDA in the relevant period, rendering profit-based valuation multiples such as the price-to-earnings ratio enterprise value-to-EBIT ratio, or EV/EBITDA ratio either not meaningful or undefined. In such circumstances, the adoption of EV/S multiple is considered appropriate. This metric focuses on S2C Shanghai's revenue generation capacity, which is generally more stable and less susceptible to short-term fluctuations in profitability, particularly for companies in high-growth phases. The EV/S multiple also enables a meaningful comparison with relevant market participants and transaction benchmarks, reflecting investor expectations of future scalability, operating leverage, and eventual profitability. Accordingly, the EV/S approach is considered appropriate and reasonable for valuing S2C Shanghai given its current financial profile and industry position.

Price-to sales ratio is not selected as it does not capture the difference in capital structure among comparable companies.

Price-to-book ratio is not selected as it is more suitable for valuing companies with substantial property investment or financial investment on their books, but not suitable for valuing EDA companies because their value lies in intangible assets like proprietary software and patents, and research and development capability, which are often not fully reflected in the book value as research and development costs are usually immediately expensed. This leads to inflated price-to-book ratios that may not truly reflect the company's true economic value.

Valuation Analyses of S2C Shanghai

The Valuer selected publicly listed comparable companies which have been listed in the PRC and the United States of America, with a principal business activity of providing EDA related products and services.

It is also observed that there were differences between S2C Shanghai and the comparable companies with respect to the stock exchanges on which they are listed. To address such differences, the trailing EV/S ratio of the comparable companies were adjusted based on the following formula individually:

$$M_{adj} = \frac{M_C}{M_B} \times M_{or}$$

Where:

M_{adj} = Adjusted multiple

M_C = Index multiple of the stock market of S2C Shanghai

M_B = Index multiple of the stock market that the comparable company is listed

M_{OR} = Original multiple of the comparable company

Following the criteria and as sourced from Bloomberg and company websites on a best effort basis, the Valuer exhaustively selected 5 comparable companies, for the period of the most recent 12 months up to the Valuation Date.

The period was selected by the Valuer to reflect the latest financial performance and market conditions of the comparable companies, to capture current business trends and recent industry dynamics, providing a relevant and up to date basis for comparison.

Since the S2C Shanghai Group is an EDA hardware-based rapid verification system and software suppliers companies that are principally engaged in providing EDA related products and services are appropriate comparable companies.

The comparable companies were selected by the Valuer on a fair and representative basis, adopting a well-established criteria including industry classification, business model, geographic location, and financial metrics. These criteria ensures that each company in the list operates under similar market conditions, faces comparable competitive dynamics, and has closely aligned financial characteristics to S2C Shanghai.

Comparable companies listed in the stock exchanges in the PRC and the USA were selected as appropriate comparable companies as S2C Shanghai is a PRC-based EDA company and the most relevant peers are concentrated in these jurisdictions. PRC-listed companies share similar regulatory, economic, and market conditions as S2C Shanghai; while the USA hosts many leading global EDA companies with comprehensive financial disclosure and market presence. In addition, only companies whose revenue contribution from EDA products or services is above 60% were included to ensure business comparability. Five comparable companies were identified under these criteria.

Furthermore, publicly listed EDA-focused companies are only found in the PRC and USA. Companies in other countries, including Japan and European regions, typically operate as subsidiaries or divisions of larger parent companies that are listed but do not have standalone EDA-focused public listings. Two of such subsidiaries (being exhaustive examples of companies operating as subsidiaries or divisions of larger parent companies that are listed but do not have standalone EDA-focused public listings), namely Siemens EDA and Altium Limited, were therefore excluded as both entities operate as subsidiaries within the EDA sector of publicly listed groups that have diversified business operations. Since standalone financial statements and detailed valuation metrics for these companies are not publicly available, the revenue contribution of these companies to their respective parent group cannot be readily determined. In the absence of such information, their inclusion would not allow for a meaningful or consistent comparison, and they have therefore been excluded from the analysis.

The adjusted multiple of the selected comparable companies as at Valuation Date are listed below.

Name of comparable company	Ticker	Revenue from EDA products/ services	Company description	Principal business location	Adjusted EV/S ratio
Empyrean Technology Co., Ltd.	301269 CH	~85%	Empyrean Technology Co., Ltd. operates as an EDA developer and solutions provider. The company develops analog circuit EDA tool systems, digital circuit design EDA tools, flat panel display circuit design EDA tools and others. The company conducts businesses in China.	Beijing, China	30.1x
Primarius Technologies Co., Ltd.	688206 CH	~62%	Primarius Technologies Co., Ltd. develops application products. The company produces manufacturing, design EDA tools and other products. The company also offers semiconductor device characteristics test equipment manufacturing, semiconductor engineering services and other services.	Shanghai, China	26.7x
Semitronix Corporation	301095 CH	~61%	Semitronix Corporation develops semiconductor industry software and test chip products. The company provides process development and yield improvement, process control monitor, big data analytics of semiconductors, efficient and stable yield improvement and electrical monitoring technology services. The company markets its products worldwide.	Hangzhou, China	9.9x

Name of comparable company	Ticker	Revenue from EDA products/ services	Company description	Principal business location	Adjusted EV/S ratio
Cadence Design Systems, Inc.	CNDS US	The 2nd largest EDA and intellectual property player in the world ~71%	Cadence Design Systems, Inc. provides software technology, design and consulting services and technology. The company licenses its electronic design automatic software technology and provides a variety of professional services. The company's design realization solutions are used to design and develop complex chips and electronic systems, including semiconductors.	San Jose, California, USA	8.9x
Synopsys, Inc.	SNPS US	The largest EDA player in the world ~68%	Synopsys, Inc. supplies EDA solutions to the global electronics markets. The company provides design technologies to creators of advanced integrated circuits, electronic systems and systems on a chip. The company also provides consulting services and support to its customers to streamline the overall design process and accelerate time to market.	Sunnyvale, California, USA	6.6x

The Valuer has performed a quartile test on the EV/S. The quartile test (also known as the interquartile range or IQR method) is a common statistical approach for identifying outliers in a dataset, and is frequently used in valuation analysis to ensure the robustness of market multiples.

Q1 (first quartile) represents the 25th percentile, indicating that 25% of the data falls below this value. Q3 (third quartile) marks the 75th percentile, with 75% of the data below this value. The interquartile range ("**IQR**") is the difference of Q3 and Q1, capturing the middle 50% of the data. The lower bound is defined as the difference of Q1 and 1.5 times of the IQR. The upper bound is defined as the sum of Q3 and 1.5 times the IQR. Values outside these bounds are considered potential outliers.

Details of the quartile test is as follows:

Quartile	EV/S value
Q1	8.9
Q3	26.7
IQR	17.7
Lower Bound	–17.7
Upper Bound	53.3

Since all data points fall within the lower bound and upper bound, the Valuer considers none of the companies an outlier.

Discount for Lack of Marketability ("DLOM")

DLOM is normally applied to valuation of non-publicly traded companies. Marketability discount reflects the ability of converting shares into immediate cash. Compared to publicly listed companies, private companies do not have a known market price and there exists no public market for trading of shares. Therefore, a privately held company is theoretically worth less than a public company with the same business, given other things being the same.

Taking account of the above, a discount for lack of marketability of 16.4% was applied in the valuation based on the median discount of 45 private placement transactions of unregistered common stocks issued by publicly traded companies in the Transportation, Communications, Electric, Gas, and Sanitary Services Industry from July 1980 through March 2024 in the 2024 Edition Stout Restricted Stock Study Companion Guide, which is considered as a reliable reference as it is published by Stout Risius Ross, LLC., a global investment bank and advisory firm providing services including mergers and acquisitions advice, private capital raising, and other financial advisory services for privately held businesses, private equity firms and their portfolio companies and divisions of large corporations. The Valuer considers that the median of DLOMs for 45 private placement transactions being adopted is fair and reasonable as the median (compared to the average) is less affected by outliers and skewed data and therefore is the preferred measure of central tendency.

Calculation of the valuation of 16% equity interest in S2C Shanghai

Average EV/S ratio of comparable companies	9.9x	(1)
Trailing 12 months revenue	RMB162,643,719	(2)
Multiple value	RMB1,602,963,135	(3) = (1)x(2)
Add: Long term equity investment	RMB300,000	(4)
Adjusted multiple value	RMB1,603,263,135	(5) = (3)+(4)
Add: excess cash[1]	–	(6)
Less: Debts	RMB17,000,000	(7)
100% equity value before DLOM	RMB1,586,263,135	(8) = (5)+(6)-(7)
Less: DLOM	RMB260,147,154	(9) = (8) x 16.4%[2]
100% equity value after DLOM	RMB1,326,115,981	(10) = (8)-(9)
16% equity value after DLOM	RMB212,178,557	(11) = (10) x 16%
	RMB212,179,000	**(rounded to RMB'000)**

Notes:

(1) For the purposes of the valuation, the entire cash balance reported in the management accounts as of the Valuation Date is treated as working capital, given that the cash balance does not exceed the working capital as of Valuation Date.

(2) Discount of transportation, communications, electric, gas and sanitary service industry in 2024 Edition Stout Restricted Stock Study Companion Guide.

Assumptions to the Valuation

The valuation was prepared by taking into account, including but not limited to, the following assumptions:

- there would be no material changes in existing political, legal, regulatory, technological, fiscal, market or economic conditions which might adversely affect the economy in general and the business;

- in arriving at the Valuer's opinion, the Valuer had assumed and relied extensively upon the accuracy and completeness of the information provided to the Valuer by the Company such as financial statements, documents and oral conversation through correspondences and interviews. The financial statements of S2C Shanghai were prepared in accordance to the applicable accounting standard. The Valuer did not independently investigate or otherwise verify the data provided and do not express an opinion or offer any form of assurance regarding its accuracy and completeness;

- S2C Shanghai was expected to continue as a going concern, having the capability and intention to successfully execute all necessary activities required to develop and grow its business operations;

- there were no hidden or unexpected conditions associated with S2C Shanghai that might adversely affect the reported values;

- prudent management of S2C Shanghai would continue over whatever period of time that would be reasonable and necessary to maintain the character and integrity of the Company; and

- interest rate, tax rates, inflation, population, and industry policies would not undergo significant changes.

Conditions Precedent

Completion is subject to the following conditions being fulfilled and satisfied (or waived, if applicable):

(a) the representations, warranties and undertakings given by the Investor as at the date of the Equity Transfer Agreement and the Completion Date remaining true and accurate in all respects, and all undertakings and agreements to be fulfilled by the Investor on or before Completion Date pursuant to the Equity Transfer Agreement having been fulfilled;

(b) the Investor having signed and delivered to S2C Shanghai all transaction documents to which it is a party;

(c) the Investor having completed all procedures relating to currency exchange in relation to the Consideration payable to S2C Shanghai;

(d) the designated entity of the Investor having been legally established and completed filings in relation to private funds and having signed all necessary legal documents in relation to the Equity Transfer;

(e) the representations, warranties and undertakings given by the S2C Shanghai, the Company and S2C Holding pursuant to all transaction documents as at the date of the relevant transaction documents and the Completion Date remaining true, accurate and complete in all respects and not misleading in any respect, and all undertakings and agreements to be fulfilled by S2C Shanghai, the Company and S2C Holding on or before Completion Date pursuant to the relevant transaction documents having been fulfilled;

(f) S2C Shanghai, the Company and S2C Holding having signed and delivered to the Investor all transaction documents to which it is a party;

(g) no legal or government orders of any applicable laws or regulations having been formulated or issued or promulgated or implemented or passed by any relevant government authority, which making any transactions under transaction documents unlawful or otherwise being prohibited or restricted;

(h) no claims having been made against the S2C Shanghai Group or S2C Holding, which (i) aims to restrict any transactions contemplated under the transaction documents or giving rise to material changes on the terms of such transactions, or, (ii) according to the reasonable and good faith judgment of the Investor, would possibly render the completion of such transaction infeasible or unlawful, or unsuitable to proceed, or (iii) may pose material adverse impact on members of the S2C Shanghai Group or S2C Holding or their respective businesses;

(i) the Investor having conducted all business, financial and legal due diligence on the S2C Shanghai Group, and no material discrepancies existed between the due diligence outcomes and the disclosed information of S2C Shanghai;

(j) the Investor and S2C Shanghai having obtained all authorizations, approvals and other acknowledgement of any kind awarded or issued by any government authority or other relevant third party which are necessary for the completion of the transactions contemplated under transaction documents (including the Investor and S2C Holding having fulfilled their internal approval procedures, the Company having obtained Shareholders' approval for the Equity Transfer, and the S2C Shanghai Group having obtained the counterparty's approval (in written consent or mail confirmation) or fulfilled notification procedures (including but not limited to the written consent in relation to the Equity Transfer given by financial institutions offering loans to S2C Shanghai) for all change of control provisions under each contract containing such change of control provisions; approval for internal decision making power of S2C Shanghai (if applicable); the Equity Transfer has been notified for merger control and a decision of "no further investigation" having been obtained from the Anti-Monopoly Bureau of the State Council (if applicable)); and such authorizations and approvals not substantially amending the commercial terms under the transaction documents and being valid at Completion;

(k) there having been no material changes on the scope of operation and nature of S2C Shanghai, no event(s) which jointly or severally pose substantial harm to the financial condition, value, business and prospects of S2C Shanghai, and no event which jointly and severally pose actual harm to the financial condition, value, business and prospect of S2C Shanghai is expected to occur;

(l) the core management team of S2C Shanghai having formally working at S2C Shanghai full-time, and S2C Shanghai and/or other members in the S2C Shanghai Group having signed labour agreements, confidentiality agreements, non-compete agreements and intellectual property invention agreement with all members of the core management team, or having signed labour agreements which contains non-compete, no-solicitation, ownership of intellectual property rights and confidentiality provisions, and there having been no risk of violation of competition restrictions on all members in the core management team;

(m) S2C Shanghai, the Company and S2C Holding having complied with all applicable obligations under the transaction documents and no violation on all applicable undertakings under the transaction documents;

(n) all agreements, promises or other binding documents in relation to S2C Shanghai as guarantor or guarantee of any kind having been terminated, or approved by the Investor;

(o) all details of indebtedness and guarantees ("**Indebtedness List**") having been submitted by S2C Shanghai to the Investor, and S2C Shanghai having separately issued written confirmation and undertaking, confirming that save as the Indebtedness List disclosed to the Investor, as at the Completion Date, the members in the S2C Shanghai Group have no indebtedness, external guarantees or contingent liabilities or due but unfulfilled obligations, and having obtained the Investor's approval on such confirmation and undertaking;

(p) all related party transactions for the latest two financial years and up to 31 May 2025 having been provided by S2C Shanghai to the Investor, and the reason and reasonableness of such related party transactions having been explained;

(q) the Investor having received the completion certificate issued by S2C Shanghai and S2C Holding, in proving all the conditions in relation to Completion have been fulfilled and satisfied.

The Investor may waive any of the conditions precedent set out in (e) to (q) above, except for (j) in relation to the shareholders' approval requirement by the Company. S2C Holding may waive any of the conditions precedent set out in (a) and (b) above. The conditions precedent set out in (c) and (d) above may only be waived jointly by the Investor and S2C Holding.

As at the Latest Practicable Date, the parties to the Equity Transfer Agreement were in the process of satisfying the above conditions precedents and none of the conditions precedent have been satisfied. No conditions precedent have been waived by any party to the Equity Transfer Agreement.

Completion

Upon fulfillment (or waiver) of all the conditions precedent to the Equity Transfer Agreement, Completion shall take place on the Completion Date.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Investor

The Investor is established under the laws of PRC with limited liability and is principally engaged in private equity investment, venture capital management etc., with a focus on strategic emerging fields such as integrated circuit, new-generation information technology and artificial intelligence. The Investor is held as to 30% by each of Zhongwan Zhonggai (Beijing) Information Technology Center*（中灣中改（北京）信息科技中心）("**Zhongwan Zhonggai**") and China Electronics Corporation ("**CEC**"), 15% by each of Guangzhou Science City Venture Capital Co., Ltd.（廣州科學城創業投資管理有限公司）("**Guangzhou SCVC**") and Beijing Chengbo Qihang Technology Development Centre (Limited Partnership) ("**Beijing Chengbo Qihang**")（北京誠柏啓航科技發展中心（有限合夥）), and 10% by Zhongwan Zhongxin (Haikou) Enterprise Management Centre (Limited Partnership)（中灣眾信（海口）企業管理中心（有限合夥））("**Zhongwan Zhongxin LP**").

Zhongwan Zhonggai is controlled by its executive partner Zhongwan Zhonggai (Beijing) Technology Co., Ltd.*（中灣中改（北京）科技有限公司）("**Zhongwan Zhonggai Technology**"). Zhongwan Zhonggai Technology, CEC and Guangzhou SCVC are PRC state-owned enterprises. The ultimate beneficial owner of Beijing Chengbo Qihang is Mr. Edward Suning Tian（田溯寧）. Zhongwan Zhongxin LP is the incentive platform for the management team of the Investor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owner are Independent Third Parties.

The Company

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

The Group is a leading security devices provider globally for pay TV broadcasting access in China. Meanwhile, the Group is also engaged in the following two business activities: (i) intelligent sense technology business which focuses on research, development and sales of smart sensing oriented products and solutions; and (ii) provision of integrated circuit solutions, including development and sales of integrated circuit products and related design services.

S2C Holding

S2C Holding is a company incorporated in the British Virgin Islands with limited liability. Its principal function is investment holding. As at the Latest Practicable Date, the Company holds approximately 95.43% interest in S2C Holding.

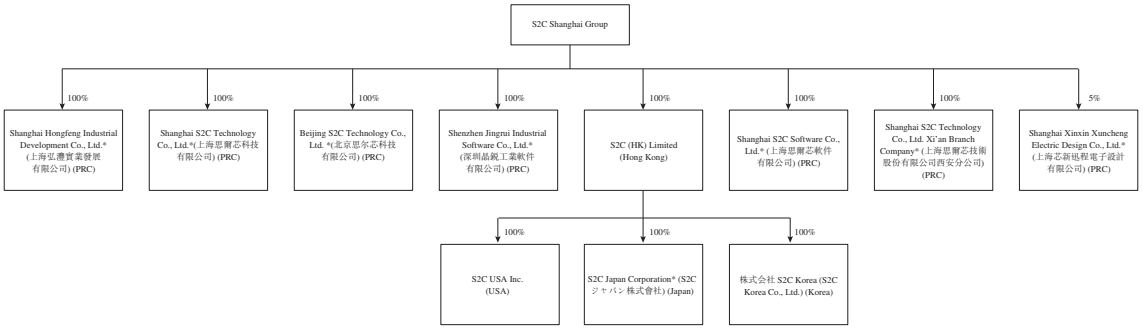
S2C Shanghai

S2C Shanghai is a company established under the laws of the PRC with limited liability. S2C Shanghai Group is an EDA hardware-based rapid verification system and software supplier.

Immediately prior to Completion, S2C Shanghai is held as to 29.75% by S2C Holding and 18 other shareholders each holding less than 30% interest.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than S2C Holding, the shareholders of S2C Shanghai and their respective ultimate beneficial owners are Independent Third Parties.

Set out below is the corporate structure of S2C Shanghai Group as at the Latest Practicable Date:



Consolidated Financial Information on S2C Shanghai Group

The following are the unaudited consolidated financial information on S2C Shanghai Group for the two years ended 31 December 2023 and 2024 and the six months end 30 June 2025 prepared in accordance with the PRC GAAP:

	For the year ended 31 December 2023	For the year ended 31 December 2024	For the six months ended 30 June 2025
	US$'000	*US$'000*	*US$'000*
Loss before taxation	(22,794)	(31,969)	(6,665)
Loss after taxation	(22,810)	(31,967)	(6,666)

The unaudited net asset value of S2C Shanghai Group as at 30 June 2025 was approximately RMB383,882,940.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER

S2C Shanghai is a high-technology research and development company operating in a sector that demands substantial and ongoing capital investment to sustain its growth and innovation. The introduction of the Investor could provide S2C Shanghai with strategic guidance and industry expertise, allowing S2C Shanghai to leverage the Investor's extensive experience in private equity and venture capital management and potentially helping S2C Shanghai in identifying and pursuing new business opportunities and strategic partnerships. The Equity Transfer will also enable the Company to realize a significant return on its early-stage investment in S2C Shanghai, while retaining a sizeable equity interest to continue participating in the long-term development and value creation of S2C Shanghai.

The Directors (including all independent non-executive Directors) consider that the Equity Transfer, the terms and conditions of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE EQUITY TRANSFER

Upon Completion, S2C Holding will hold the remaining 13.75% of the equity interest in S2C Shanghai.

Immediately after Completion, S2C Shanghai will cease to be an associated company of the Company, the entire investment in S2C Shanghai previously accounted for using the equity method on the consolidated financial statements of the Company with an estimated carrying amount of approximately US$29.0 million will be derecognized, and the remaining 13.75% of the equity interest in S2C Shanghai will be recognized as a financial asset measured at fair value through profit and loss on the consolidated financial statements of approximately US$25.4 million. The estimated net proceeds from the Equity Transfer settled in two instalments will be recognized as cash and cash equivalents and consideration receivables of US$25.2 million and US$1.4 million respectively. As a result, total assets of the Company will increase by approximately US$23.0 million. The Equity Transfer will have no financial impact of the Company's liabilities.

The estimated pre-tax gain on disposal will be approximately US$25.4 million, subject to the finalized carrying amount of the investment in S2C Shanghai accounted for using the equity method as of the Completion Date and final transaction costs, without taking into consideration of any current and deferred tax expense/credit associated with the disposal of the 16% of the equity interest in S2C Shanghai and the remeasurement of the remaining 13.75% of the equity interest in S2C Shanghai at fair value. The estimated pre-tax gain on disposal is mainly derived from the net effect of the Consideration of the Equity Transfer received or receivable, plus the fair value of the remaining 13.75% of the equity interest in S2C Shanghai recognized by the Company as a financial asset, and minus the entire carrying amount of the investment in S2C Shanghai accounted for using the equity method derecognized upon Completion; adjusted by the cumulative other comprehensive income/loss of the investment in S2C Shanghai that are eligible to be reclassified to profit or loss and transaction costs directly attributable to the transaction.

INTENDED USE OF PROCEEDS

Net proceeds from the Equity Transfer, which have deducted expenses in relation to the Equity Transfer of approximately US$3.0 million comprising predominantly of income tax, are estimated to be approximately US$26.6 million. The Group intends to use approximately 50% of the net proceeds from the Equity Transfer for product research and development. The Group intends to use 15% of the net proceeds for sales and marketing; and 35% of the net proceeds as general working capital for employee benefit expenses (including directors' emoluments), rental and office expense, professional service fees, travel and entertainment expenses of the Group, in order to strengthen the cash flow of the Group which allows the Group to reallocate its resources for further development.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer is more than 25% but less than 75%, the Equity Transfer 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 Equity Transfer. Thus, no Shareholders are required to abstain from voting in favour of the resolution approving the Equity Transfer if the Company were to convene a general meeting for the approval of the Equity Transfer.

As at the Latest Practicable Date, Ever Expert and Mr. Huang, hold 184,207,777 and 5,708,624 shares respectively in the Company, representing a total of approximately 58.45% of the entire issued share capital of the Company. Ever Expert is a company indirectly owned as to 99% by Mr. Huang. 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 has obtained written approval for the Equity Transfer in accordance with Rule 14.44 of the Listing Rules from each of Ever Expert and Mr. Huang as Shareholders. Accordingly, no general meeting will be convened for the purpose of approving the Equity Transfer as permitted under Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement 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 and would recommend the Shareholders to vote in favour of the Equity Transfer if it had been necessary to hold a general meeting for such purpose.

ADDITIONAL INFORMATION

The attention of the Shareholders is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
SMIT Holdings Limited
Huang Xueliang
Chairman

INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had lease liabilities of approximately USD2.2 million and undrawn banking facilities of approximately USD7.0 million. Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 31 August 2025, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds, the effect of the Equity Transfer, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As a strategic asset in the global arms race, the semiconductor industry played a pivotal role in the tariff war of tech competition between China and the United States during the first half of the year. The potential risks stemming from the impact of restrictions on related industries include changes in terminal market demand, operational costs in manufacturing, and trade clearance cycles, all of which have had a substantial impact on the overall industry landscape. In the semiconductor product landscape, artificial intelligence has driven strong growth, while the long-term trends in the automotive and industrial equipment sectors remain solid, and the consumer electronics sector still has room for recovery.

In the CAM business, the Group will continue to focus on promoting new standards and developing new products to expand into new overseas markets. Domestically, efforts will be made to meet the new technical requirements of the national professional CAM to secure new orders. For the cable TV gateway projects, we will complete deliveries to corporate clients and launch pilot projects for consumer clients, accelerate the progress of cable projects across provinces and cities under the broadcasting system, and promote the implementation of new projects for switching cable one-way gateways to IP-based products. In terms of new products, while solidifying existing UWB project opportunities, the Group will explore more possibilities for smart hardware integration solutions, enrich application scenarios and product dimensions, and expand the target customer bases.

In the intelligent sense business, we will prepare for mass production of pressure-sensing products by finalizing processes, procedures, and reliability certifications. Among these, we will plan automotive regulations testing and certification for new energy products, and plan medical certification testing for healthcare products. For optical radar systems, we will optimize production lines to enhance capacity, efficiency, and yield rates. We will advance the production process toward large-scale, standardized, and normalized production across multiple dimensions to further expand domestic and international markets. We will continue to maintain relationships with leading clients and strengthen the development of our sales team.

For the other businesses, we will accelerate the development of smart energy management systems in R&D, enhancing system integration capabilities, and meeting customer-specific development needs. In market sales, we will intensify the promotion of industrial and commercial storage products, improving product testing and certification, promoting demonstration project construction, and strengthening relationships with potential customers. In production, we will strengthen communication with manufacturers to shorten order production cycles as much as possible and strive to secure follow-up bulk orders.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

(i) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests or short positions, if any, of each Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); (ii) required to be or are recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of interest in our Company
Mr. Huang *(Note 2)*	Beneficial interest and interest in a controlled corporation	189,916,401 Shares (L)	58.45%
Ms. Chen Ying	Beneficial interest	1,067,661 Shares (L)	0.33%
Kwan, Allan Chung-yuen *(Note 3)*	Beneficial interest and interest in a controlled corporation	1,080,414 Shares (L)	0.34%

Notes:

(1) The letter "L" denotes the Directors' long positions in the shares of our Company or the relevant associated corporation.

(2) As at the Latest Practicable Date, Mr. Huang was interested in 5,043,624 Shares and was interested in share options to subscribe for 738,067 Shares. Mr. Huang also held 99% in Shenzhen Qianhai Guowei Investment Co., Limited*(深圳前海國微投資有限公司)which wholly-owns Ever Expert. Mr. Huang was therefore also deemed to be interested in the 178,258,777 Shares in which Ever Expert had interests.

(3) As at the Latest Practicable Date, Mr. Kwan, Allan Chung-yuen was interested in 223,418 Shares. Mr. Kwan also held 100% interest in Cykorp Limited. Mr. Kwan is therefore deemed to be interested in the 856,996 Shares in which Cykorp Limited had interests.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any other interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Directors' position in the substantial shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying share of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of the company	Name of the Director	Position held by the Director in the company
Ever Expert Holdings Limited	Mr. Huang	Director

LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

MATERIAL CONTRACTS

As at the Latest Practicable Date, save for the Equity Transfer Agreement, no contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular which are, or may be, material.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had an interest in any business which competes, or are likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Listing Rules.

DIRECTORS' INTERESTS IN ASSETS

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date.

DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, Mr. Huang held approximately 88.39% indirect interest in Shenzhen Digital TV National Engineering Laboratory Co., Ltd. ("**Shenzhen Digital TV**") which owned the Guoshi Building, an office building located at No. 1801 Shahe West Road, Nanshan District, Shenzhen (the "**Shenzhen Property**"). On 1 February 2024, SMIT Shenzhen and Shenzhen Digital TV entered into a tenancy agreement in relation to the leasing of certain premises in the Shenzhen Property.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which was not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

GENERAL

(1) The secretary of the Company is Mr. Cheng Kai Pui, Eric who is a registered certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(2) The registered office of the Company is situated at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at Room 4202-04, 42/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(3) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(4) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

DOCUMENTS ON DISPLAY

A copy of the Equity Transfer Agreement will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.smit.com.cn) from this date of the circular up to 14 days thereafter.