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If you have sold or transferred all your shares in SMIT Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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 – DEEMED DISPOSAL OF EQUITY
INTERESTS IN S2C SHANGHAI**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Directors of the Company is set out on pages 4 to 12 of this circular.

The Capital Injection has been approved by written shareholders’ approval obtained from a closely allied group of shareholders 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 January 2020

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DEFINITIONS

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

“Announcement”	the announcement issued by the Company dated 30 December 2019 in relation to, inter alia, the Capital Injection and the Shareholders’ Agreement
“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
“Director(s)”	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 Jijian, Mr. Hou Yuqing and Ms. Li Xue
“Latest Practicable Date”	20 January 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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

DEFINITIONS

“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
“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

DEFINITIONS

“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

* *For identification purpose only*

In this circular, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)”, “substantial shareholder(s)” and subsidiary(ies)”, shall have the meaning given to such terms in the Listing Rules.

LETTER FROM THE BOARD



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 (*chairman*)

Mr. Shuai Hongyu

Mr. Loong, Manfred Man-tsun

Non-executive Directors:

Mr. Kwan, Allan Chung-yuen

Mr. Gao Songtao

Independent Non-executive Directors:

Mr. Zhang Junjie

Mr. Woo Kar Tung, Raymond

Mr. Jin Yufeng

Registered office in the Cayman Islands:

Maples Corporate Services Limited

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Principal place of business in the PRC:

22F, Guoshi Building

No. 1801 Shahexi Road

Nanshan District

Shenzhen, PRC

*Headquarters and principal place of business
in Hong Kong:*

1/F, Harbour View 2

16 Science Park East Avenue

Hong Kong Science Park

Shatin, New Territories

Hong Kong

24 January 2020

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION – DEEMED DISPOSAL OF EQUITY INTERESTS IN S2C SHANGHAI

INTRODUCTION

Reference is made to the Announcement of the Company dated 30 December 2019 in relation to the Capital Injection. 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 would be contributed as additional registered capital in S2C Shanghai and the remaining balance would be credited to the capital reserve in S2C Shanghai.

LETTER FROM THE BOARD

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

The purpose of this circular is to provide you with (i) details of the Capital Injection, and (ii) such other information as required to be disclosed under the Listing Rules.

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 was interested in approximately 95.43% of S2C Holding, which in turn was 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 were 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 would be contributed as additional registered capital in S2C Shanghai and the remaining balance would be credited to the capital reserve in S2C Shanghai.

LETTER FROM THE BOARD

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 increased from RMB8,296,748 to RMB16,865,106, and its shareholding structure would 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	3.93%
Mr. Hou Yuqing	6.15%
Ms. Li Xue	3.28%

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

Conditions of the Capital Injection

The Completion of the Capital Injection Agreement was 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);

LETTER FROM THE BOARD

- (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.

All of the above conditions precedent had been satisfied and the Completion took place on 31 December 2019.

Basis of determining the amount of the Capital Injection

The consideration to be paid by each of the Investors was 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 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, which are expected to be satisfied by mid-2020:

- (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 detailed business development plan of S2C Shanghai, which includes certain objectives set on research and development achievements, revenue growth and increase in research and development personnel, 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.

LETTER FROM THE BOARD

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.

CAPITAL COMMITMENT OF THE GROUP

The Group is not required to make any capital commitment to S2C Shanghai Group or any guarantee or indemnity to the Investors pursuant to the Capital Injection. Upon Completion, S2C Shanghai Group will finance its operating and capital expenditures mainly by internal resources such as operating cash flow and existing shareholders' equity.

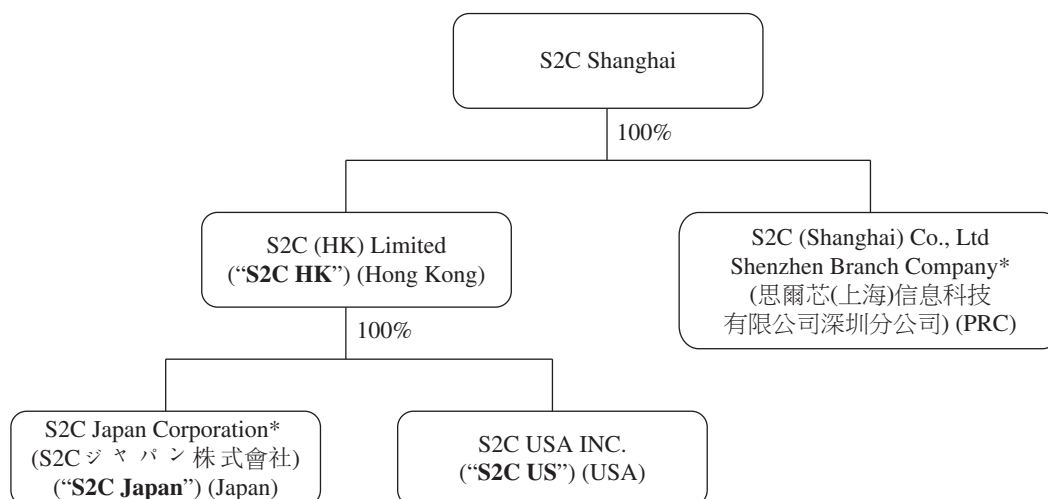
FINANCIAL EFFECT OF THE CAPITAL INJECTION

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 ceased to be subsidiaries of the Company and become associated companies of the Company. The Capital Injection would be accounted for as a deemed disposal transaction. Accordingly, the financial results and financial position of S2C Shanghai Group would cease to be consolidated in the financial statements of the Company after Completion. All asset and liabilities of S2C Shanghai Group, including goodwill and intangible assets attributable to S2C Shanghai Group, would be derecognized. The interest in S2C Shanghai Group held by the Company as associated companies would 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 would 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 Latest Practicable Date:



LETTER FROM THE BOARD

Each of S2C HK, S2C Japan and S2C US is a sales company of the S2C Shanghai Group which focuses on the markets in Taiwan, Japan and the USA respectively.

Combined Financial Information on S2C Shanghai Group

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

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

INFORMATION ON THE GROUP

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

The Group is primarily engaged in the business of designing, developing and marketing security devices such as CAMs (for the paid TV industry) and the development of full process electronic design automation system for chip design.

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 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.

LETTER FROM THE BOARD

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 introduced to the Group by various semiconductor industry players and business partners of the Group. To the knowledge of the Group, the investors are business partners or acquaintances of each other. 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 introduced to the Group by various semiconductor industry players and business partners of the Group. To the knowledge of the Group, the investors are business partners or acquaintances of each other. The principal function of Gongqing Ruiyuan is investment holding.

Each of Mr. Zou Jijian, Mr. Hou Yuqing and Ms. Li Xue is an individual investor introduced to the Group by various fellow semiconductor industry players and business partners of the Group.

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.

LETTER FROM THE BOARD

Upon Completion, S2C Holding would remain as the largest shareholder of S2C Shanghai and would have the largest representation in the board of S2C Shanghai for any single shareholder with the power to appoint two out of the five directors of S2C Shanghai which would allow the Group to exercise significant influence and protect its interest in the S2C Group.

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 would result in the dilution of the Company's equity interest in S2C Shanghai Group, the entering into of the Capital Injection Agreement constituted 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 constituted 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 the Capital Injection Agreement, Green Flourish Limited ("**Green Flourish**"), Infortune International Limited ("**Infortune**"), Statemicroelectronics International Co., Ltd. ("**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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
SMIT Holdings Limited
Huang Xueliang
Chairman

INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2019, 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 USD1.1 million and undrawn banking facilities of approximately USD17.8 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 30 November 2019, 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, 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

Affected by the development trend of the industry, the development of the Group's traditional CAM business faces significant challenges. However, the Group will continue to maintain its traditional businesses' leading advantages in the industry while transforming technology, improving efficiency and controlling overall risks. In addition, the Group will grasp the opportunities for the development of the domestic integrated circuit industry and vigorously develop the EDA business.

In respect of CAM business, the Group will focus on serving its major customers in Europe and will cooperate with conditional access providers to promote CAM products that do not require smart cards. The Group will also recommend new CI+ 2.0 products based on USB form to conditional access providers to gain more market share. The Group will cooperate with host manufacturers in emerging markets to jointly customize products according to the needs of operators. The Group will also promote USB-based products to emerging markets. The Group will use the popularity of 4K content as a product entry point in China, and develop several key operator customers based on the deployed hosts.

In respect of the EDA system business, the Group will continue to increase investment in research and development, continue to expand EDA system business, actively develop more EDA technologies with independent intellectual property rights, and achieve new revenue growth point through commercial operations.

In the face of the current complex business situation, the Group will endeavor to advance in the future, diversifying its business and broadening its revenue stream by leveraging its leading position in the global pay-TV broadcasting access, and vigorously develop EDA systems, and expanding its R&D efforts in IC related technology and all-round applications through strategic acquisitions.

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	172,049,090 Shares (L)	54.07%
Kwan, Allan Chung-yuen ^(Note 3)	Beneficial interest	2,951,339 Shares (L)	0.93%
Shuai Hongyu ^(Note 4)	Beneficial interest	6,340,465 Shares (L)	1.99%
Loong, Manfred Man-tsun ^(Note 5)	Beneficial interest	6,544,129 Shares (L)	2.06%

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 8,426,400 Shares. Mr. Huang also held 100% interest in Green Flourish, 100% interest in Infortune and 50% interest in Statemicro. Mr. Huang was therefore deemed to be interested in the 128,656,454 Shares, 13,965,149 Shares and 15,957,463 Shares in which Green Flourish, Infortune and Statemicro had interests respectively as at the Latest Practicable Date.
- (3) As at the Latest Practicable Date, Mr. Kwan, Allan Chung-yuen was interested in 223,418 Shares and was interested in share options to subscribe for 1,870,925 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.
- (4) As at the Latest Practicable Date, Mr. Shuai Hongyu was interested in 1,358,083 Shares and was interested in share options to subscribe for 4,982,382 Shares.
- (5) As at the Latest Practicable Date, Mr. Loong, Manfred Man-tsun was interested in share options to subscribe for 6,544,129 Shares.

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’ positions in substantial shareholders

As at the Latest Practicable Date, Green Flourish was interested in 128,656,454 Shares representing approximately 40.43% of Shares in issue, Statemicro was interested in 15,957,463 Shares representing approximately 5.01% of Shares in issue and Junjie International Co., Ltd. was interested in 19,140,656 Shares representing approximately 6.01% of Shares in issue.

To the best of our Directors’ knowledge, China Integrated Circuit Industry Investment Fund Co., Ltd. held 100% interest in Xunxin (Shanghai) Investment Co., Ltd. which in turn held 100% interest in Xinxin (Hongkong) Capital Co., Limited. Each of China Integrated Circuit Industry Investment Fund Co., Ltd. and Xunxin (Shanghai) Investment Co., Ltd. is therefore deemed to be interested in the 29,999,000 Shares held by Xinxin (Hongkong) Capital Co., Limited, representing approximately 9.43% of Shares in issue, as at the Latest Practicable Date.

As such, each of Green Flourish, Statemicro, Junjie International Co., Ltd., China Integrated Circuit Industry Investment Fund Co., Ltd., Xunxin (Shanghai) Investment Co., Ltd. and Xinxin (Hongkong) Capital Co., Limited was a company with interests which fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

As at the latest practicable date, Mr. Huang was a director of each of Green Flourish and Statemicro, each a company with interest which fell to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest or short position in the shares and underlying shares 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 as at the Latest Practicable Date.

(iii) Interests of substantial shareholders

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register to be kept by the Company pursuant to section 336 of the SFO:

Name of director	Nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of interest in our Company
Statemicro	Beneficial owner	15,957,463 Shares (L)	5.01%
Mr. Zhu Changhua ^(Note 2)	Interested in a controlled corporation	22,013,014 Shares (L)	6.92%
Junjie International Co., Ltd. ^(Note 3)	Beneficial owner	19,140,656 Shares (L)	6.01%
Mr. Gong Jun ^(Note 3)	Interested in a controlled corporation	19,362,077 Shares (L)	6.08%
Xinxin (Hongkong) Capital Co., Limited ^(Note 4)	Beneficial owner	29,999,000 Shares (L)	9.43%
Xunxin (Shanghai) Investment Co., Ltd. ^(Note 4)	Interested in a controlled corporation	29,999,000 Shares (L)	9.43%
China Integrated Circuit Industry Investment Fund Co., Ltd. ^(Note 4)	Interested in a controlled corporation	29,999,000 Shares (L)	9.43%

Notes:

- (1) The letter “L” denotes the long positions in the shares of our Company or the relevant associated corporation.
- (2) As at the Latest Practicable Date, Mr. Zhu Changhua held share options to subscribe for 73,807 Shares. Mr. Zhu Changhua also held a 100% interest in Capital Tower Profits Limited and a 50% interest in Statemicro. Mr. Zhu Changhua was therefore deemed to be interested in the 5,981,744 Shares and 15,957,463 Shares held by Capital Tower Profits Limited and Statemicro respectively.
- (3) As at the Latest Practicable Date, Mr. Gong Jun held share options to subscribe for 221,421 Shares. Mr. Gong Jun also held a 100% interest in Junjie International Limited. Mr. Gong Jun was therefore deemed to be interested in the 19,140,656 Shares held by Junjie International Limited.
- (4) As at the Latest Practicable Date, to the best of our Directors’ knowledge, China Integrated Circuit Industry Investment Fund Co., Ltd. held a 100% interest in Xunxin (Shanghai) Investment Co., Ltd. which in turn held a 100% interest in Xinxin (Hongkong) Capital Co., Limited. Each of China Integrated Circuit Industry Investment Fund Co., Ltd. and Xunxin (Shanghai) Investment Co., Ltd. is therefore deemed to be interested in the 29,999,000 Shares held by Xinxin (Hongkong) Capital Co., Limited.

Save for those disclosed above, as at the Latest Practicable Date, no other persons were recorded in the register of the Company required to be kept under Section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company.

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, 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

As at the Latest Practicable Date, Mr. Huang held approximately 65.62% 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**”). He also held approximately 99% indirect interest in Shanghai Guo Wei Industrial Development Co., Ltd. which owned an office building located at No. 2555 Xiupu Road, Pudong New Area, Shanghai (the “**Shanghai**”).

Property”). On 14 June 2019, Shenzhen Digital TV and SMIT Shenzhen entered into a tenancy agreement in relation to the leasing of part of 1st floor, 14th, 15th and 22nd floors of the Shenzhen Property (the “**Shenzhen Tenancy Agreement**”). On 29 October 2019, the SMIT Shenzhen and Mr. Huang entered into a framework agreement in relation to the leasing of certain premises in the Shenzhen Property and the Shanghai Property (the “**Tenancy Framework Agreement**”).

Save as disclosed above, 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 2018 (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

Save as (i) the Shenzhen Tenancy Agreement, (ii) the Tenancy Framework Agreement, and (iii) a property management services agreement dated 14 June 2019 entered into between SMIT Shenzhen, Shenzhen Digital TV and Shenzhen Excellence Property Management Co., Ltd* (深圳市卓越物業管理股份有限公司) in relation to the property management of part of 1st floor, 14th, 15th and 22nd floors of the Shenzhen Property, 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).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on Monday to Friday, except for public holidays, at the headquarters and principal place of business of the Company in Hong Kong up to and including the date which is 14 days from the date of this circular:

- (1) the memorandum of association and articles of association of the Company;
- (2) the annual reports of the Company for each of the two years ended 31 December 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (3) the Capital Injection Agreement;

- (4) the Shareholders' Agreement; and
- (5) this circular.

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 1/F, Harbour View 2, 16 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong.
- (3) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M 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.