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星美控股
SMI HOLDINGS GROUP LIMITED
星美控股集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

ISSUANCE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE

On 16 November 2015 after trading hours, the Company entered into the Subscription Agreements with subscribers pursuant to which subscribers have conditionally agreed to subscribe in cash for the Convertible Bonds in an aggregate principal amount of HK\$224,000,000 due 2017 (extendable to 2018 at the discretion of the Bondholder).

Based on the initial Conversion Price of HK\$0.77 per Conversion Share, a total of 290,909,089 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent approximately 2.23% of the existing issued share capital of the Company and approximately 2.19% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under the General Mandate.

The initial Conversion Price represents: (i) a discount of about 3.75% over the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and (ii) a discount of about 3.75% over the average closing price of HK\$0.80 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the last trading day prior to the date of the Subscription Agreements.

The net proceeds from the Subscriptions (after deducting related expenses) are estimated to be of approximately HK\$223,500,000 and the Company intends to use such net proceeds for developing its existing business including the number of theatres by the Company.

Shareholders and potential investors should note that the Subscriptions are subject to various conditions precedent. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENT A

Parties and date:

Date: 16 November 2015 (after trading hours)

Issuer: The Company

Subscriber: Haitong International Securities Company Limited (“**Subscriber A**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of Subscriber A and its ultimate beneficial owner is an Independent Third Party.

Subscription:

Subject to the satisfaction of the conditions precedent set out in the Subscription Agreement and on the Completion Date, Subscriber A shall subscribe in cash for, and the Company shall issue, the Convertible Bond A, to Subscriber A.

Conditions precedent:

The completion is conditional upon the satisfaction of, among other things, the following conditions precedent:

- (a) Subscriber A having conducted due diligence exercise (technical, financial and legal) on the Company and satisfied with the results thereof;
- (b) the warranties given by the Company in the Subscription Agreement A being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date;
- (c) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor Subscriber A object) listing of and permission to deal in the Shares issued by the Company upon exercise by Subscriber A of the conversion rights attaching to the Convertible Bonds A;

- (d) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong which requires compliance in relation to the Subscription Agreement A and transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bond A, the execution of the Bond Instrument A, and the issue and allotment of the Conversion Shares);
- (e) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Convertible Bonds A and the issue and allotment of the Conversion Shares;
- (f) the Board having passed all necessary resolutions in approving, among other things, the Subscription Agreement A and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds A, the execution of the Bond Instrument A, the issue of the Certificate(s) for the Convertible Bonds A and the issue and allotment of the Conversion Shares);
- (g) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement A and/or the performance of its obligations thereunder by the Company (including but not limited to, the issue of the Convertible Bonds A, the execution of the Bond Instrument A, the issue of the Certificate(s) for the Convertible Bonds A and the issue and allotment of the Conversion Shares); and
- (h) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement A and/or the performance of its obligations thereunder by Subscriber A (including but not limited to the Subscription A);

If the conditions precedent have not been fulfilled or waived by Subscriber A on or before 15 January 2016 or such other date as may be agreed in writing between the Company and Subscriber A, the Subscription Agreement A will lapse and become null and void and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof.

Termination

Notwithstanding anything contained in the Subscription Agreement A, the Subscriber A may, by notice to the Company given at any time prior to payment of the net subscription monies for the Convertible Bonds A to the Company, terminate the Subscription Agreement A in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscriber A any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement A or any failure to perform any of the Company's undertakings in the Subscription Agreement A;
- (b) if any of the conditions precedent has not been satisfied or waived by the Subscriber A on or prior to the Issue Date, as the case may be;
- (c) if, in the opinion of the Subscriber A (after consultation with the Company to the extent reasonably practicable), there shall have occurred any of the following events:
 - (i) a suspension or a material limitation in trading in securities generally on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded;
 - (ii) a suspension for a period of five consecutive trading days (in Hong Kong) on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded;
 - (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong, Singapore and/or Bermuda declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong, Singapore or Bermuda; or
- (d) if in the opinion of the Company (after consultation with the Company to the extent reasonably practicable), there shall have been, since the date of the Subscription Agreement A, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the dealings in the Convertible Bonds A in the secondary market.

Upon such notice being given, the Subscription Agreement A shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the Subscription Agreement A, except for other securities of the Company may arise under the Subscription Agreement A.

Completion:

Subject to the satisfaction (or waiver as the case may be) of the conditions precedent set out above, completion of the Subscription A shall take place on or before 10 Business Day after the last of the applicable conditions precedent have been fulfilled (or waived) at the office of the Company (or such other place or time as the Company and Subscriber A may agree in writing).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS A

Issuer: The Company

Subscriber: Subscriber A

Principal amount: HK\$184,000,000

Issue price: 100% of the principal amount of the Convertible Bonds A

Form and title:

The Convertible Bonds A will be issued in registered form in the denomination of HK\$4,000,000.

Interest rate:

The Convertible Bonds A shall bear interest from and including the Issue Date to the respective Maturity Date at the rate of 4% per annum.

Maturity Date:

The date falling the second (2nd) anniversary of the Issue Date, which can, at the Bondholder's sole and absolute discretion, be extended to the date falling on the third (3rd) anniversary of the Issue Date.

Conversion Price:

The initial Conversion Price will be HK\$0.77 per Share subject to adjustment in the manner provided in the terms and conditions of the Bond Instrument A.

The initial Conversion Price represents:

- a) a discount of about 3.75% over the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement A; and
- b) a discount of about 3.75% over the average closing price of HK\$0.80 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the last trading day prior to the date of the Subscription Agreement A.

The Conversion Price was determined after arm's length negotiations between the Company and Subscriber A with reference to the closing price of the Shares in the past several months.

The Directors (including the independent non-executive Directors) are of the opinion that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustments to the Conversion Price:

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (b) issue of any Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves or share premium account issued and which would not have constituted a capital distribution;
- (c) paying or making any capital distribution to the Shareholders;
- (d) issue of any Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than the market price per Share on the date of the announcement of the terms of the issue or grant;
- (e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) issue (otherwise than as mentioned in (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (otherwise than as mentioned in (d) above) of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 80% of the current market price on the date of announcement of the terms of such issue;
- (g) issue of any securities arising from a conversion or exchange of other securities which is less than 80% of the current market price per Share on the date of announcement of the terms of issue of such securities;
- (h) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (f) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80% of the current market price per Share on the date of announcement of the proposals for such modification;

- (i) issue, selling or distribution of any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them; or
- (j) other events or circumstances not mentioned in paragraphs (a) to (i) above which the Company or the Bondholder, may determine that an adjustment should be made to the Conversion Price.

Redemption on Maturity Date:

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds A on the Maturity Date at such amount that would yield an annual return of 10% per annum thereon calculated from the Issue Date to (and including) the Maturity Date.

The Company may not request to redeem the Outstanding Bonds prior to the Maturity Date.

Transferability:

The Convertible Bonds A are transferable in accordance with the terms and conditions of the Bond Instrument A.

Events of Default:

If, among other things, any of the following events occurs, which has or may likely to have a material adverse effect, the Bondholder shall be entitled to require the Company, to redeem the entire principal amount of the Convertible Bonds A not being converted according to the terms of the Bond Instrument A:

- (a) the Company fails to pay the amount due and payable pursuant to Bond Instrument A or the Subscription Agreement A;
- (b) the Company fails to pay any interest due and payable pursuant to the Bond Instrument A or the Subscription Agreement A;
- (c) if the Company fails to perform or observe any of its other obligations (among other things, including that in the event the Company issues any shares, bonds and/or securities convertible into Shares to any other investors after the Completion Date, the issue price of the Shares and/or warrants and the conversion price in respect of such bonds and/or securities convertible into Shares shall not be lower than the Conversion Price) under the Bond Instrument A or the Subscription Agreement A;
- (d) a representation, statement or warranty made or deemed to be made or repeated by the Company under the Bond Instrument A, the Subscription Agreement A or any document delivered by or on behalf of the Company under the Bond Instrument A or the Subscription Agreement A is or proves to have been incorrect or misleading;

- (e) the Shares cease to be listed or admitted to, or are suspended for a period of more than ten (10) consecutive trading days (or such longer period as agreed by the Bondholder) from, trading on the Stock Exchange and/or the Shareholders pass a shareholder resolution to delist its shares from the Stock Exchange;
- (f) an event of default in respect of any payment obligations of the Company under any loan or credit-related agreement other than the Subscription Agreement A occurs pursuant to the provisions of the Bond Instrument A;
- (g) if the Company is involved in any insolvency event;
- (h) if the Company refuses or asserts an intention to refuse to perform a duty or an obligation owed to Subscriber A under the Subscription Agreement A or the Bond Instrument A;
- (i) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings, requisitions or disputes are commenced or threatened in relation to the Bond Instrument A, the Subscription Agreement A or other related transaction documents or against the Company or member of the Group or in relation to its assets which has or may have a material adverse effect;
- (j) any governmental agency seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or member of the Group or makes an order therefore;
- (k) an issue of unlawfulness arises in relation to the Bond Instrument A or the Subscription Agreement A; or
- (l) if the Company or member of the Group ceases or threatens to cease to carry on the whole or a substantial part of its business or changes or threatens to change the nature or scope of its business.

Status:

The Convertible Bonds A constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds A shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, secured unsubordinated and unconditional obligations. The Convertible Bonds A will not be listed on the Stock Exchange or any other stock exchange.

Voting rights:

The Convertible Bonds A do not confer on Subscriber A the right to vote at general meetings of the Company.

Conversion Shares:

The Conversion Shares will be credited as fully paid and rank pari passu in all respects with, and within the same class as the Shares in issue as at the date of allotment and issue of the Conversion Shares.

THE SUBSCRIPTION AGREEMENT B

Parties and date:

Date: 16 November 2015 (after trading hours)

Issuer: The Company

Subscriber: Giant Profit Enterprises Limited (“**Subscriber B**”)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of Subscriber B and its ultimate beneficial owner is an Independent Third Party.

Subscription:

Subject to the satisfaction of the conditions precedent set out in the Subscription Agreement B and on the Completion Date, Subscriber B shall subscribe in cash for, and the Company shall issue, the Convertible Bond B, to the Subscriber B.

Conditions precedent:

The completion is conditional upon the satisfaction of, among other things, the following conditions precedent:

- (a) Subscriber B having conducted due diligence exercise (technical, financial and legal) on the Company and satisfied with the results thereof;
- (b) the warranties given by the Company in the Subscription Agreement B being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date;
- (c) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor Subscriber B object) listing of and permission to deal in the Shares issued by the Company upon exercise by Subscriber B of the conversion rights attaching to the Convertible Bond B;

- (d) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong which requires compliance in relation to the Subscription Agreement B and transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bond B, the execution of the Bond Instrument B, and the issue and allotment of the Conversion Shares);
- (e) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Convertible Bonds B and the issue and allotment of the Conversion Shares;
- (f) the Board having passed all necessary resolutions in approving, among other things, the Subscription Agreement B and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds B, the execution of the Bond Instrument B, the issue of the Certificate(s) for the Convertible Bonds B and the issue and allotment of the Conversion Shares);
- (g) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement B and/or the performance of its obligations thereunder by the Company (including but not limited to, the issue of the Convertible Bonds B, the execution of the Bond Instrument B, the issue of the Certificate(s) for the Convertible Bonds B and the issue and allotment of the Conversion Shares); and
- (h) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Subscription Agreement B and/or the performance of its obligations thereunder by Subscriber B (including but not limited to the Subscription B).

If the conditions precedent have not been fulfilled or waived by Subscriber B on or before 15 January 2016 or such other date as may be agreed in writing between the Company and Subscriber B, the Subscription Agreement B will lapse and become null and void and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches thereof.

Termination

Notwithstanding anything contained in the Subscription Agreement B, the Subscriber B may, by notice to the Company given at any time prior to payment of the net subscription monies for the Convertible Bonds B to the Company, terminate the Subscription Agreement B in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscriber B any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement B or any failure to perform any of the Company's undertakings in the Subscription Agreement B;

- (b) if any of the conditions precedent has not been satisfied or waived by the Subscriber B on or prior to the Issue Date, as the case may be;
- (c) if, in the opinion of the Subscriber B (after consultation with the Company to the extent reasonably practicable), there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension for a period of five consecutive trading days (in Hong Kong) on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; or (iii) a general moratorium on commercial banking activities in the United States, the PRC, Hong Kong, Singapore and/or Bermuda declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, the PRC, Hong Kong, Singapore or Bermuda; or
- (d) if in the opinion of the Company (after consultation with the Company to the extent reasonably practicable), there shall have been, since the date of the Subscription Agreement B, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the dealings in the Convertible Bonds B in the secondary market.

Upon such notice being given, the Subscription Agreement B shall terminate and be of no further effect and no party shall be under any liability to any other in respect of the Subscription Agreement B, except for other securities of the Company may arise under the Subscription Agreement B.

Completion:

Subject to the satisfaction (or waiver as the case may be) of the conditions precedent set out above, completion of Subscription B shall take place on or before 10 Business Day after the last of the applicable conditions precedent have been fulfilled (or waived) at the office of the Company (or such other place or time as the Company and Subscriber B may agree in writing).

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS B

Issuer: The Company

Subscriber: Subscriber B

Principal amount: HK\$40,000,000

Issue price: 100% of the principal amount of the Convertible Bonds B

Form and title:

The Convertible Bonds B will be issued in registered form in the denomination of HK\$4,000,000.

Interest rate:

The Convertible Bonds B shall bear interest from and including the Issue Date to the respective Maturity Date at the rate of 4% per annum.

Maturity Date:

The date falling the second (2nd) anniversary of the Issue Date, which can, at the Bondholder's sole and absolute discretion, be extended to the date falling on the third (3rd) anniversary of the Issue Date.

Conversion Price:

The initial Conversion Price will be HK\$0.77 per Share subject to adjustment in the manner provided in the terms and conditions of the Bond Instrument B.

The initial Conversion Price represents:

- a) a discount of about 3.75% over the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement B; and
- b) a discount of about 3.75% over the average closing price of HK\$0.80 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the last trading day prior to the date of the Subscription Agreement B.

The Conversion Price was determined after arm's length negotiations between the Company and Subscriber B with reference to the closing price of the Shares in the past several months.

The Directors (including the independent non-executive Directors) are of the opinion that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustments to the Conversion Price:

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;

- (b) issue of any Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves or share premium account issued and which would not have constituted a capital distribution;
- (c) paying or making any capital distribution to the Shareholders;
- (d) issue of any Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than the market price per Share on the date of the announcement of the terms of the issue or grant;
- (e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) issue (otherwise than as mentioned in (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (otherwise than as mentioned in (d) above) of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 80% of the current market price on the date of announcement of the terms of such issue;
- (g) issue of any securities arising from a conversion or exchange of other securities which is less than 80% of the current market price per Share on the date of announcement of the terms of issue of such securities;
- (h) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (f) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 80% of the current market price per Share on the date of announcement of the proposals for such modification;
- (i) issue, selling or distribution of any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them; or
- (j) other events or circumstances not mentioned in paragraphs (a) to (i) above which the Company or the Bondholder, may determine that an adjustment should be made to the Conversion Price.

Redemption on Maturity Date:

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds B on the Maturity Date at such amount that would yield an annual return of 10% per annum thereon calculated from the Issue Date to (and including) the Maturity Date.

The Company may not request to redeem the Outstanding Bonds prior to the Maturity Date.

Transferability:

The Convertible Bonds B are transferable in accordance with the terms and conditions of the Bond Instrument B.

Events of Default:

If, among other things, any of the following events occurs, which has or may likely to have a material adverse effect, the Bondholder shall be entitled to require the Company, to redeem the entire principal amount of the Convertible Bonds B not being converted according to the terms of the Bond Instrument B;

- (a) the Company fails to pay the amount due and payable pursuant to Bond Instrument B or the Subscription Agreement B;
- (b) the Company fails to pay any interest due and payable pursuant to the Bond Instrument B or the Subscription Agreement B;
- (c) if the Company fails to perform or observe any of its other obligations (among other things, including that in the event the Company issues any shares, bonds and/or securities convertible into Shares to any other investors after the Completion Date, the issue price of the Shares and/or warrants and the conversion price in respect of such bonds and/or securities convertible into Shares shall not be lower than the Conversion Price) under the Bond Instrument B or the Subscription Agreement B;
- (d) a representation, statement or warranty made or deemed to be made or repeated by the Company under the Bond Instrument B, the Subscription Agreement B or any document delivered by or on behalf of the Company under the Bond Instrument B or the Subscription Agreement B is or proves to have been incorrect or misleading;
- (e) the Shares cease to be listed or admitted to, or are suspended for a period of more than ten (10) consecutive trading days (or such longer period as agreed by the Bondholder) from, trading on the Stock Exchange and/or the Shareholders pass a shareholder resolution to delist its shares from the Stock Exchange;
- (f) an event of default in respect of any payment obligations of the Company under any loan or credit-related agreement other than the Subscription Agreement B occurs pursuant to the provisions of the Bond Instrument B;

- (g) if the Company is involved in any insolvency event;
- (h) if the Company refuses or asserts an intention to refuse to perform a duty or an obligation owed to Subscriber B under the Subscription Agreement B or the Bond Instrument B;
- (i) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings, requisitions or disputes are commenced or threatened in relation to the Bond Instrument B, the Subscription Agreement B or other related transaction documents or against the Company or member of the Group or in relation to its assets which has or may have a material adverse effect;
- (j) any governmental agency seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or member of the Group or makes an order therefore;
- (k) an issue of unlawfulness arises in relation to the Bond Instrument B or the Subscription Agreement B; or
- (l) if the Company or member of the Group ceases or threatens to cease to carry on the whole or a substantial part of its business or changes or threatens to change the nature or scope of its business.

Status:

The Convertible Bonds B constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds B shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, secured unsubordinated and unconditional obligations. The Convertible Bonds B will not be listed on the Stock Exchange or any other stock exchange.

Voting rights:

The Convertible Bonds B do not confer on Subscriber B the right to vote at general meetings of the Company.

Conversion Shares:

The Conversion Shares will be credited as fully paid and rank *pari passu* in all respects with, and within the same class as the Shares in issue as at the date of allotment and issue of the Conversion Shares.

GENERAL MANDATE TO ISSUE THE CONVERTIBLE BONDS AND TO ALLOT AND ISSUE THE CONVERSION SHARES UPON CONVERSION OF THE CONVERTIBLE BONDS

At the annual general meeting of the Company held on 2 June 2015, a resolution of the Shareholders was passed to grant to the Directors a general mandate to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution. The Company is authorised to issue 2,271,191,745 Shares under the General Mandate.

As at the date of this announcement, 1,200,000,000 Shares have been issued under the General Mandate prior to the Subscription and an aggregate of (i) 389,610,389 Shares pursuant to the subscription agreement dated 28 October 2015 regarding the issue of 4% convertible bonds of HK\$300,000,000 due 2017 (extendable to 2018 at the sole and absolute discretion of Cheer Hope Holdings Limited) by the Company to Cheer Hope Holdings Limited, (ii) 389,610,389 Shares pursuant to the subscription agreement dated 3 November 2015 and supplemental agreement dated 12 November 2015 regarding the issue of 4% convertible bonds of HK\$275,000,000 due 2017 (extendable to 2018 at the discretion of Admire Idea Limited (尊略有限公司)), may be issued by the Company, respectively. A maximum of 291,970,967 Shares remains available under the General Mandate to be issued by the Company. Accordingly, the issuance of the Convertible Bonds and the Conversion Shares (upon conversion of the Convertible Bonds) is not subject to Shareholders' approval.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after full conversion of the Convertible Bonds (assuming no further Share will be issued or repurchased from the date of this announcement up to the date upon which the Convertible Bonds are fully converted based on the initial Conversion Price).

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders				
Mr. QIN Hui	7,328,860,041	56.29	7,328,860,041	55.06
SMIL (Note 1)	6,429,143	0.05	6,429,143	0.48
Mr. YANG Rongbing (Note 2)	1,076,000	0.01	1,076,000	0.01
Public Shareholders				
Subscriber A	–	–	238,961,038	1.80
Subscriber B	–	–	51,948,051	0.39
Other Shareholders	5,682,585,638	43.65	5,682,585,638	42.70
Total:	<u>13,018,950,822</u>	<u>100.00</u>	<u>13,309,859,911</u>	<u>100.00</u>

Notes:

1. Strategic Media International Limited (“SMIL”) is wholly owned by Mr. QIN Hui.
2. Mr. YANG Rongbing is an executive Director.

As disclosed in the above shareholding table, immediately after the full conversion of the Convertible Bonds, over 25% of the then issued share capital of the Company will be held by public Shareholders (including the Bondholder).

REASONS FOR THE ISSUANCE OF THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The principal activities of the Group include (i) movie theater operation; (ii) expansion of new complementary business on online shopping and in-theater counter sales; and (iii) advertising and promotion business in the PRC.

In view of the current financial market situation, the Subscription offers a good opportunity to the Group to strengthen its financial position in line with the Group’s rapid expansion, and broaden the shareholder’s base of the Company. The net proceeds from the Subscriptions are expected to be used to further boost the Group’s cinema network.

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Subscription Agreements to be fair and reasonable, on normal commercial terms and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

The gross and net proceeds from the Subscriptions are estimated to be approximately HK\$224,000,000 and HK\$223,500,000, respectively.

Based on the net proceeds from the Subscriptions of HK\$223,500,000, the net subscription price per Conversion Share is approximately HK\$0.77.

FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS

The equity fund raising activity conducted by the Company in the past 12 months prior to the date of this announcement are set out below:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
11 December 2014	Issue of convertible bonds	HK\$77.0 million	General working capital requirements	<ul style="list-style-type: none"> (i) approximately HK\$31.2 million had been used in the repayment of loans; (ii) approximately HK\$25.7 million had been used in the construction of cinema premises; (iii) approximately HK\$15.6 million had been used in the investment in held-for-trading equity securities; and (iv) approximately HK\$4.5 million had been used for satisfying the general working capital requirements of the Group
12 March 2015	Subscription of new shares	HK\$38.6 million	General working capital requirements	<ul style="list-style-type: none"> (i) approximately HK\$20 million had been used in the investment in held-for-trading equity securities; (ii) approximately HK\$15.6 million had been used in the construction of cinema premises; (iii) approximately HK\$2 million had been used for loan to an associate; and (iv) approximately HK\$1 million had been used in the repayment of loans

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
30 March 2015	Issue of convertible bonds	HK\$92.8 million	Capital expenditure and general working capital requirements	<ul style="list-style-type: none"> (i) approximately HK\$50 million had been used in the repayment of loans; (ii) approximately HK\$32.8 million had been used in the construction of cinema premises; and (iii) approximately HK\$10 million had been used for loan to an associate
10 June 2015	Subscription and placing of new shares	HK\$887.0 million	Capital expenditure	<ul style="list-style-type: none"> (i) approximately HK\$620 million had been used in the construction of cinema premises; (ii) approximately HK\$84 million had been used for satisfying the general working capital requirements of the Group; (iii) approximately HK\$80 million had been used in the investment in held-for-trading equity securities; (iv) approximately HK\$61 million had been used in the repayment of loans; and (v) approximately HK\$42 million had been used for dividend payment
28 October 2015	Issue of convertible bonds	HK\$299.6 million	Capital expenditure	completion has taken place as at the date of this announcement
3 November 2015	Issue of convertible bonds	HK\$274.6 million	Capital expenditure	completion has taken place as at the date of this announcement

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past 12 months immediately prior to the date of this announcement.

APPLICATION FOR LISTING

No application will be made by the Company to the Listing Committee for listing of the Convertible Bonds. An application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

Shareholders and potential investors should note that the Subscriptions are subject to various conditions precedent. As the Subscriptions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	board of Directors
“Bondholder”	the person who is for the time being the holder of the Convertible Bonds
“Bond Instruments”	Bond Instrument A and Bond Instrument B
“Bond Instrument A”	the instrument constituting the Convertible Bonds A
“Bond Instrument B”	the instrument constituting the Convertible Bonds B
“Business Day(s)”	any day (other than Saturday or Sunday or public holiday) on which commercial banks are open for normal banking business in Hong Kong and PRC
“Certificate(s)”	the certificate(s) to be issued in respect of the Convertible Bonds substantially in the form set out in the Bond Instrument
“Completion Date”	the date of completion of the Convertible Bonds
“Completion”	completion of the Convertible Bonds
“Convertible Bonds”	Convertible Bonds A and Convertible Bonds B
“Convertible Bonds A”	the 4 per cent. unsecured redeemable convertible bonds of HK\$184,000,000 due in 2017 (extendable to 2018 at the discretion of the Bondholder), to be issued by the Company to Subscriber A under the Subscription Agreement A

“Convertible Bonds B”	the 4 per cent. unsecured redeemable convertible bonds of HK\$40,000,000 due in 2017 (extendable to 2018 at the discretion of the Bondholder), to be issued by the Company to Subscriber B under the Subscription Agreement B
“Company”	SMI Holdings Group Limited, a company incorporated under the laws of Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 198)
“Conversion Price”	HK\$0.77, being the initial price for conversion of the Convertible Bonds, which is subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“Event of Default”	any event or circumstance specified as such in the Bond Instrument
“General Mandate”	the general mandate granted to the Board by the Shareholders at the special general meeting of the Company held on 2 June 2015 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 2 June 2015
“Group”	the Company and its subsidiaries
“HK dollar” or “HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party”	person or company which is independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of the Company, any of its subsidiaries or any of their respective associates
“Issue Date”	the date of issue of the Convertible Bonds
“Listing Committee”	the listing committee of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the second (2nd) anniversary of the Issue Date, which can, at the Bondholder’s sole and absolute discretion, be extended to the date falling on the third (3rd) anniversary of the Issue Date
“Mr. QIN Hui”	QIN Hui (覃輝), a PRC resident and the controlling shareholder of the Company
“Outstanding Bonds”	refers to all the Convertible Bonds issued other than: <ul style="list-style-type: none"> (a) those which have been redeemed or in respect of which conversion rights have been exercised and which have been cancelled in accordance with the conditions of the Bond Instruments; (b) those in respect of which the date for redemption in accordance with the conditions of the Bond Instruments has occurred and the redemption monies (including all interest accrued on such Convertible Bonds to the date of such redemption) have been duly and irrevocably paid to the relevant Bondholder or on their behalf; (c) those mutilated or defaced Convertible Bonds which have been surrendered in exchange for replacement Convertible Bonds pursuant to the Bond Instruments; or (d) (for the purpose only of determining how many Convertible Bonds are outstanding and without prejudice to their status for any other purpose) those Convertible Bonds alleged to have been lost, stolen or destroyed and in respect of which replacement Convertible Bonds have been issued pursuant to the Bond Instruments
“PRC”	the People’s Republic of China but for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	fully paid ordinary voting equity shares with a par value of HK\$0.10 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Subscriber A and Subscriber B
“Subscriber A”	Haitong International Securities Company Limited, a company incorporated under the laws of the Hong Kong with limited liability, which is an Independent Third Party
“Subscriber B”	Giant Profit Enterprises Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is an Independent Third Party
“Subscriptions”	Subscription A and Subscription B
“Subscription A”	the subscription of the Convertible Bonds A by Subscriber A pursuant to the Subscription Agreement A
“Subscription B”	the subscription of the Convertible Bonds B by Subscriber B pursuant to the Subscription Agreement B
“Subscription Agreements”	Subscription Agreement A and Subscription Agreement B
“Subscription Agreement A”	a formal subscription agreement regarding the issue of the Convertible Bonds A dated 16 November 2015
“Subscription Agreement B”	a formal subscription agreement regarding the issue of the Convertible Bonds B dated 16 November 2015
“Takeovers Code”	The Code on Takeovers and Mergers, as maybe amended or supplemented from time to time

By order of the Board
SMI HOLDINGS GROUP LIMITED
YANG Rongbing
Executive Director

Hong Kong, 16 November 2015

As at the date of this announcement, the executive Directors are Mr. CHENG Chi Chung, Mr. YANG Rongbing, Mr. ZHOU Lin; the non-executive Directors are Mr. ZHANG Yongdong and Mr. LI Xuan; and the independent non-executive Directors are Mr. PANG Hong, Mr. LI Fusheng and Mr. KAM Chi Sing.