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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)**



**星美文旅**

**SMI Culture & Travel Group Holdings Limited**

**星美文化旅遊集團控股有限公司**

*(formerly known as SMI Culture Group Holdings Limited 星美文化集團控股有限公司)*

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 2366)**

**JOINT ANNOUNCEMENT  
PROPOSED ISSUE OF CONVERTIBLE BONDS  
AND  
PROVISION OF GUARANTEE**

On 5 September 2016, after trading hours of the Stock Exchange, SMI Culture and the Investor entered into the Subscription Agreement, pursuant to which SMI Culture has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the Convertible Bonds with an aggregate principal amount of HK\$65,000,000 and which carry conversion rights to convert up to 96,296,296 Conversion Shares at the Conversion Price (being the price of HK\$0.675 per Conversion Share which is subject to adjustment) during the Conversion Period. The Convertible Bonds will be secured by the Guarantee.

The Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds will be issued under the General Mandate.

SMI Culture will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

Pursuant to the terms of the Subscription Agreement, the Guarantor is to enter into the Guarantee with the Investor, under which the Guarantor as principal obligor will guarantee to the Investor the due and punctual performance and observance of SMI Culture in relation to all moneys, obligations and liabilities owing or payable or expressed to be owing or payable by SMI Culture to the Investor under or in connection with the transaction documents.

The provision of the Guarantee, when aggregating with the guarantees provided by the Guarantor to other creditors of SMI Culture within 12 months prior to the date of the Subscription Agreement in an aggregate amount of HK\$650,000,000 constitutes a discloseable transaction for the Guarantor. As one or more of the applicable percentage ratios on an aggregated basis, exceeds 5% but are less than 25%, the provision of the Guarantee is subject to the reporting and announcement requirements but exempt from the Guarantor Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**Completion of the subscription of the Convertible Bonds is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the subscription of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## THE SUBSCRIPTION AGREEMENT

Date: 5 September 2016 (after trading hours of the Stock Exchange)

Issuer: SMI Culture

Investor: Cheer Hope Holdings Limited

The Investor is a limited liability company incorporated in the BVI. It is indirectly and wholly-owned by CCB International (Holdings) Limited ("CCBI").

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

## Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised below:

Issuer:	SMI Culture
Principal Amount:	HK\$65,000,000. The Investor shall apply the amount of the Notes redeemed pursuant to the Supplemental Deed to set off, on a dollar for dollar basis, its payment obligation under the Subscription Agreement (less the costs and expenses in relation to the Convertible Bonds payable in accordance with the terms therewith).
Number of Conversion Shares:	Based on the Conversion Price of HK\$0.675 per Conversion Share and assuming that there will not be any change in the issued share capital of SMI Culture before the exercise of the conversion rights in full (other than the issue of the Conversion Shares), upon the exercise of the conversion rights in full, 96,296,296 Conversion Shares will be issued, representing approximately 11.89% of the existing issued share capital of SMI Culture and approximately 10.62% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares.
Term:	Due on 8 August 2017, which can at the Bondholder's sole and absolute discretion be extended for a further 12 months.
Conversion Price:	Each Convertible Bond carries the right to convert Shares at the Conversion Price of HK\$0.675 per Conversion Share upon the Bondholders exercise of the conversion rights under the Convertible Bonds (subject of adjustment), provided that the Conversion Price shall not in any event be lower than HK\$0.38.
Conversion Period:	The conversion rights attaching to the Convertible Bonds may be exercised at any time from and including the date of issue of the Convertible Bonds up to the close of Business on the Maturity Date of the Convertible Bonds during the term of the Convertible Bonds.
Security:	The Convertible Bonds will have the benefit of the security constituted by the Guarantee.

Status:	The Convertible Bonds constitute direct, guaranteed, unsecured, unsubordinated and unconditional obligations of SMI Culture. The Convertible Bonds will at all times rank <i>pari passu</i> without any preference among themselves.
Form:	The Convertible Bonds will be issued upon Completion in registered form.
Interest:	The Convertible Bonds bear interest from and including 8 August 2016 to the Maturity Date of the Convertible Bonds at the rate of five (5)% per annum payable every six (6) months from 8 August 2016. When interest is required to be calculated in respect of a period of less than the full six (6) months, it shall be calculated on the actual number of days elapsed and a 365-day year.
Default interest:	15% per annum on the outstanding principal amount of the Convertible Bonds.
Rights of the Conversion Shares:	The Conversion Shares that are to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be credited as fully paid and will rank <i>pari passu</i> in all respects with and within the same class as the Shares in issue on the conversion date of the Convertible Bonds.
Transferability:	The Convertible Bonds are transferable except to connected persons or direct competitors of SMI Culture.
Denomination:	HK\$5,000,000
Redemption Price:	The redemption price payable by SMI Culture to the Bondholder is equal to the aggregate of (i) the outstanding principal amount on the Convertible Bonds, (ii) the outstanding interest up to the date of redemption and (iii) any other outstanding amount due but unpaid under the Convertible Bonds (the “ <b>Applicable Redemption Amount of the Convertible Bonds</b> ”).

Redemption on the Maturity Date:	SMI Culture will redeem all of the Convertible Bonds on the Maturity Date of the Convertible Bonds, unless previously redeemed, converted, purchased or cancelled at the Applicable Redemption Amount of the Convertible Bonds plus an amount that would make up an aggregate internal return rate on the amount of the Convertible Bonds at 10% per annum (having included the interest paid and the Arrangement Fee paid, but excluding any default interest (whether accrued, paid or unpaid)) calculated from 8 August 2016 to (and including) the Maturity Date of the Convertible Bonds. Any accrued and unpaid default interest shall be payable by SMI Culture to the Bondholder in addition to the aforesaid amount at the same time.
Bondholder's redemption right for events of default:	SMI Culture must redeem all or such part of the outstanding principal amount of the Convertible Bonds upon the issuance of a notice of redemption by the Bondholder after occurrence of an event of default at the Applicable Redemption Amount of the Convertible Bonds plus an amount that would make up an aggregate internal rate of return on the principal amount of the Convertible Bonds at 15% per annum (having included the interest paid and the Arrangement Fee paid but excluding all default interest (whether accrued, paid or unpaid)) calculated during the period from 8 August 2016 to (and including) the actual date of payment. Any accrued and unpaid default interest shall be payable by SMI Culture to the Bondholders in addition to the aforesaid amount at the same time.

**Basis of pricing of the Convertible Bonds:**

The Conversion Price of HK\$0.675 per Conversion Share represents:

- (i) a discount of approximately 3.57% to the closing price of HK\$0.70 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 10.66% to the average closing price of HK\$0.61 per Share for the last five (5) consecutive trading days prior to the Last Trading Day; and
- (iii) a premium of approximately 10.66% over the audited net asset value per Share attributable to the Shareholders of approximately HK\$0.61 as at 31 December 2015.

The Conversion Price was determined after arm's length negotiations between SMI Culture and the Investor, taking into account the recent trading prices of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the best interest of SMI Culture and the Shareholders as a whole.

### **General Mandate for issue of the Conversion Shares**

The Conversion Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of SMI Culture held on 3 June 2016 subject to the limit of 162,011,536 Shares (representing 20% of the aggregate nominal amount of the share capital of SMI Culture in issue on that date). Thus, the Convertible Bond Subscription is not subject to the approval of the Shareholders.

The 96,296,296 Conversion Shares, to be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds, will utilise approximately 59.4% of the General Mandate.

### **Application for listing of Conversion Shares**

SMI Culture will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

### **Conditions Precedent for the Subscriptions**

The Investor's obligations to subscribe for the Convertible Bonds under Subscription Agreement are conditional upon (unless waived by the Investor):

- (i) the Investor having performed and completed to its satisfaction due diligence review of business, affairs, operations and financial position of SMI Culture and SMI Culture Group;
- (ii) the Investor having performed and completed to its satisfaction 'know your customer', anti-money laundering or similar identification procedures in respect of SMI Culture;
- (iii) the listing committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and such approval and permission remaining in full force and effect;

- (iv) the Investor having received all of the documents and evidence as required under the Subscription Agreement in form and substance satisfactory to it on or prior to the date of Completion;
- (v) evidence that the Investor has performed all necessary external, internal and corporate approvals and checks under all applicable laws and regulations, including but not limited to, investment committee approval;
- (vi) the representations and warranties of SMI Culture contained in the transaction documents contemplated thereunder to which it is a party being true, accurate and correct and not misleading during the period beginning on the date of the Subscription Agreement and ending on date of Completion;
- (vii) no event of default is continuing or would result from the proposed issue by SMI Culture of the Convertible Bonds to the Investor;
- (viii) completion of the issue of convertible bonds to Ever Ascend Investments Limited by SMI Culture pursuant to a subscription agreement entered into between SMI Culture and Ever Ascend Investments Limited dated 8 August 2016; and
- (ix) the Supplemental Deed becoming unconditional in accordance with its terms.

If any of the conditions above have not been fulfilled or waived by the Investor on or before the Long Stop Date then the Subscription Agreement thereof shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim against or liability or obligation to other party under the Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

#### **Event of default under the Convertible Bonds**

The events of default under the Convertible Bonds are:

- (a) SMI Culture or the Guarantor does not pay on the due date any amount payable or any interest payable pursuant to the transaction documents at the place at and in the currency in which it is expressed to be payable;

- (b) (1) the net asset value of the Guarantor is less than HK\$5,000,000,000 (or its equivalent in another currency or currencies) during which any Convertible Bonds remain outstanding; or (2) the quotient of the total asset value of the Guarantor divided by the net asset value of the Guarantor is greater than 2.2 during which any Convertible Bonds remain outstanding; or (3) the net asset value of SMI Culture is less than HK\$400,000,000 (or its equivalent in another currency or currencies) during which any Convertible Bonds remain outstanding;
- (c) if SMI Culture or the Guarantor fails to perform or observe any of its other obligations under any transaction document (to which it is a party), which if capable of remedy, is not remedied within five (5) Business Days (or such longer period as the Bondholder may permit) of the earlier of receipt of a written notice specifying such breach from the Bondholder and SMI Culture or the Guarantor becoming aware of such breach;
- (d) a representation, statement or warranty made or deemed to be made or repeated by SMI Culture or the Guarantor in any transaction document or in any document delivered by or on behalf of SMI Culture or the Guarantor under any transaction document is or proves to have been incorrect or misleading when made or deemed to be made or repeated, which if capable of remedy, is not remedied within five (5) Business Days (or such longer period the Bondholder may permit) of the earlier of receipt of a written notice specifying such breach from the Bondholder and SMI Culture or Guarantor becoming aware of such breach;
- (e) the Shares cease to be listed or admitted to, or are suspended for a period of more than five (5) 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) if (1) any financial indebtedness of SMI Culture, the Guarantor or member of SMI Culture Group is not paid when due nor within any originally applicable grace period; (2) any financial indebtedness of SMI Culture, the Guarantor or member of SMI Culture Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (3) any commitment for any financial indebtedness of SMI Culture, the Guarantor or member of SMI Culture Group is cancelled or suspended by a creditor of SMI Culture, the Guarantor or member of SMI Culture Group as a result of an event of default (however described); (4) any creditor of SMI Culture, the Guarantor or member of SMI Culture Group becomes entitled to declare any financial indebtedness of SMI Culture, the Guarantor or member of SMI Culture Group due and



payable prior to its specified maturity as a result of any event of default (however described); (5) any security given by SMI Culture, the Guarantor or member of SMI Culture Group becomes enforceable and steps are taken to enforce the same; or (6) default is made by SMI Culture, the Guarantor or member of SMI Culture Group in making any payment due under any guarantee and/or indemnity given by it in relation to any financial indebtedness of any other person;

- (g) if any order is made by any competent court which is not discharged or overruled within 14 days by a non-appealable order by a competent court, or any resolution is passed for the winding up, bankruptcy or dissolution of SMI Culture, the Guarantor or member of SMI Culture Group;
- (h) if SMI Culture, the Guarantor or member of SMI Culture Group stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent by a competent court and such ruling is not discharged or overruled within 14 days (or such longer period as may be agreed by the Bondholder) by a non-appealable order by a competent court;
- (i) if (1) proceedings are initiated against SMI Culture, the Guarantor or member of SMI Culture Group under any applicable liquidation, insolvency, bankruptcy, judicial management, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, judicial manager, administrator or other similar official, or an administrative or other receiver, manager, judicial manager, administrator or other similar official is appointed, in relation to SMI Culture, the Guarantor or member of SMI Culture Group or, as the case may be, in relation to the whole or any part of the undertaking, assets or revenues of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them; and (2) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 14 days (or such longer period as may be agreed by the Bondholder);

- (j) if SMI Culture, the Guarantor or member of SMI Culture Group (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation, judicial management or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) and such meeting is not cancelled within 14 days (or such longer period as may be agreed by the Bondholder) from its announcement;
- (k) if any event occurs which, under the laws of the jurisdiction of incorporation of SMI Culture, the Guarantor or member of SMI Culture Group, has or may have, in the Bondholder's opinion), an analogous effect to any of the events referred to in paragraphs (g) to (j) above;
- (l) if SMI Culture or the Guarantor repudiates or purports to repudiate any transaction document to which it is a party;
- (m) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings, requisitions or disputes are commenced or threatened in relation to any transaction document or the transactions contemplated in any transaction document or against SMI Culture, the Guarantor or member of SMI Culture Group or in relation to its assets which has or is reasonably likely to have a material adverse effect;
- (n) (1) it is or becomes unlawful for SMI Culture or the Guarantor to perform any of its obligations under any transaction document to which it is a party; or (2) any obligation of SMI Culture under any transaction document to which it is a party are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively adversely affects the interests of the Bondholder under any transaction document; or (3) any transaction document ceases to be in full force and effect or cease to be legal, valid, binding, enforceable or effective;
- (o) any event or circumstance occurs which in the opinion of the Bondholder has or may likely to have a material adverse effect;
- (p) if SMI Culture, the Guarantor or member of SMI Culture 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;
- (q) if the guarantee given by the Guarantor under the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect;

- (r) if any event of default (as set out in the convertible bonds instrument constituting the convertible bonds issued by the Guarantor to the bondholders on 5 November 2015 and 14 June 2016 respectively) in respect of the convertible bonds issued by the Guarantor takes place and such event of default is not remedied within any applicable period; or
- (s) if any event of default (as set out in the HK\$35m Bond Instrument and the Note Instrument) in respect of the HK\$35m Bonds or the Notes or any breach under the First Subscription Agreement and the First Guarantee takes place and such event of default or breach is not remedied within any applicable period.

### **Completion of the Subscriptions**

The Convertible Bonds will be issued to the Investor on the same Business Day of fulfillment or waiver (as the case may be) of the conditions precedent or at such other day as SMI Culture and the Investor may agree in writing.

### **Undertakings**

Pursuant to the Subscription Agreement, SMI Culture has given, among others, the following undertakings:

- (a) except for any lien arising by operation of law; any security interest created or entered into with the consent of the Investor; or any security interest fully disclosed in the 2015 annual report and announcements published by SMI Culture on the website of the Stock Exchange, provided that the principal amount secured by such security interest is not increased at any time, without prior written consent of the Investor, SMI Culture shall not (and shall ensure that no other members of SMI Culture Group will) create or permit to subsist any security interest over any of its assets or interest or shareholding in any member of SMI Culture Group; or sell, transfer or otherwise dispose of any of its assets on terms where it is or may be leased to or reacquired or acquired by it or any of its related entities, or enter into any other preferential arrangement having a similar effect, in circumstances where the transaction is entered into primarily as a method of raising financial indebtedness or financing the acquisition of an asset;
- (b) SMI Culture shall not (and shall ensure that no members of SMI Culture Group will) incur, create or permit to subsist or have outstanding any financial indebtedness or enter into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any financial indebtedness other than financial indebtedness arising under the transaction documents; permitted in writing by the Investor; or if not falling into the aforementioned categories, the aggregate amount does not exceed HK\$300,000,000 (or its equivalent); and

- (c) that the net asset value of SMI Culture is not less than HK\$400,000,000 and SMI Culture shall procure that the net asset value of the Guarantor is not less than HK\$5,000,000,000 and that the quotient of the total asset value divided by the net asset value of the Guarantor is not greater than 2.2.

### **Arrangement Fee**

Pursuant to the Subscription Agreement, SMI Culture is to pay to the Investor the Arrangement Fee if the Maturity Date is extended to 7 August 2018.

### **Guarantee**

Pursuant to the Guarantee, the Guarantor will, irrevocably, absolutely and unconditionally:

- (i) as principal obligor, guarantee to the Investor, the due and punctual performance and observance of SMI Culture in relation to all moneys, obligations and liabilities owing or payable or expressed to be owing or payable by SMI Culture to the Investor under or in connection with the transaction documents;
- (ii) undertake with the Investor that whenever SMI Culture does not pay any amounts due and payable under or in connection with the transaction documents, the Guarantor shall immediately on demand by the Investor pay that amount as if the Guarantor instead of SMI Culture were expressed to be the principal obligor; and
- (iii) agree with the Investor that if any obligation guaranteed by it under the Guarantee is or becomes unenforceable, invalid or illegal, he will, as an independent and primary obligation and as principal debtor and primary obligor to indemnify the Investor immediately against any cost, loss or liability the Investor incurs as a result of SMI Culture not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by SMI Culture under any transaction document on the date when it would have been due.

The Guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Guarantor or SMI Culture under any transaction document, regardless of any intermediate payment or discharge in whole or in part or other matter whatsoever.

## **REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS AND PROVISION OF THE GUARANTEE**

SMI Culture is an investment holding company. SMI Culture Group is principally engaged in the investment in the production and distribution of films, investment in the production and distribution of television dramas and creation, production and distribution of new media contents, production and distribution of online and film advertisements, agency operation for films, directors, scriptwriters and artists, and tourism.

The SMI Culture Board has considered various ways of raising funds to develop the businesses of SMI Culture Group and considers that the issuance of the Convertible Bonds represents a suitable opportunity to raise funds having considered the recent market conditions. The proceeds from the issuance of the Convertible Bonds will be used solely as working capital and for purposes of future acquisitions. Such proceeds will not however be used for the acquisition of shares or securities of any listed companies.

The SMI Culture Directors (including the independent non-executive SMI Culture Directors) consider that the terms of the Subscription Agreement in relation to the issue of the Convertible Bonds and the term of the Convertible Bonds are on normal commercial terms and are fair and reasonable and in the interests of SMI Culture and the Shareholders as a whole.

The Guarantor is an investment holding company. The Guarantor Group is principally engaged in movie theater operation, investments in film production and distribution, in theatre counter sales and online shopping.

SMI Culture is owned as to 32.59% by SMI Investment (HK) Limited, a wholly-owned subsidiary of the Guarantor. The provision of Guarantee will facilitate the issue of the Convertible Bonds pursuant to the Subscription Agreement. The businesses of the Guarantor and SMI Culture are complementary and the proceeds from the issuance of the Convertible Bonds will be used as working capital and for purposes of future acquisitions of SMI Culture, which in turn will benefit the Guarantor. The Guarantor Directors (including the independent non-executive Guarantor Directors) consider that the terms of the Guarantee are on normal commercial terms and are fair and reasonable and in the interests of the Guarantor and the Guarantor Shareholders as a whole.

To the best of the SMI Culture Directors' and the Guarantor Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owners are independent of and not connected with SMI Culture or the Guarantor or any connected persons of SMI Culture or the Guarantor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Conversion Shares to be issued upon the exercise of all Convertible Bonds, when aggregated with all other equity securities which remain to be issued on exercise of all other subscription rights, will not exceed 20% of the issued share capital of SMI Culture.

## LISTING RULES IMPLICATIONS

The provision of the Guarantee, when aggregating with the guarantees provided by the Guarantor to other creditors of SMI Culture within 12 months prior to the date of the Subscription Agreement in an aggregate amount of HK\$650,000,000 constitutes a discloseable transaction for the Guarantor. As one or more of the applicable percentage ratio on an aggregated basis, exceeds 5% but are less than 25%, the provision of the Guarantee is subject to the reporting and announcement requirements but exempt from the Guarantor Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## FUND RAISING ACTIVITIES OF SMI CULTURE IN THE PAST TWELVE MONTHS

The equity fund raising activities conducted by SMI Culture in the past 12 months prior to the date of this joint announcement are set out below:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Proposed use of the net proceeds</b>	<b>Actual use of the net proceeds</b>
29 July 2016	Issue of notes and convertible bonds	HK\$345.9 million	General working capital and future acquisitions requirements	Completion has taken place as at 8 August 2016
8 August 2016	Issue of notes and convertible bonds	HK\$196.5 million	General working capital for movie production and distribution and for future acquisition plans	Completion for issue of the notes has taken place as at 9 August 2016. Completion for the issue of bonds still pending

## EFFECTS ON SHAREHOLDING STRUCTURE OF SMI CULTURE

Assuming there being no other changes in the share capital of SMI Culture, the shareholding structure of SMI Culture (i) as at the date of this announcement; and (ii) immediately after exercise of the conversion rights attaching to the Convertible Bonds in full (assuming that there will not be any change in the issued share capital of SMI Culture before the exercise of such purchase rights) are as follows:

Shareholders	As at the date of this announcement		Immediately after exercise of the conversion rights attaching to the Convertible Bonds in full (assuming that there will not be any change in the issued share capital of SMI Culture before the exercise of such conversion rights)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
SMI Investment (HK) Limited <sup>(Note)</sup>	263,982,281	32.59	263,982,281	29.13
The Bondholder	—	—	96,296,296	10.62
Other public Shareholders	546,075,403	67.41	546,075,403	60.25
	<u>810,057,684</u>	<u>100.00</u>	<u>906,353,980</u>	<u>100.00</u>

Note:

SMI Investment (HK) Limited (“**SMI Investment**”) is wholly-owned by SMI Holdings Group Limited (“**SMI Holdings**”), the shares of which are listed on the Stock Exchange (stock code: 198). SMI Investment is the beneficial owner of the 263,982,281 Shares. SMI Holdings is therefore deemed to be interested in such 263,982,281 Shares of SMI Investment under the SFO.

SMI Holdings is owned as to approximately 60.09% by Mr. Qin Hui. By virtue of his interest in SMI Holdings, Mr. Qin Hui is therefore deemed to be interested in such 263,982,281 Shares.

**Completion of the subscription of the Convertible Bonds is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the subscription of the Convertible Bonds may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Arrangement Fee”	an annual arrangement fee of HK\$3,500,000
“Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong and the PRC are generally open for business and in the case a surrender of a certificate in respect of the Convertible Bonds, in the place where the certificate is surrendered
“BVI”	British Virgin Islands
“Completion”	completion of the issue of the Convertible Bonds
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Conversion Period”	the period from the date of issue of the Convertible Bonds to the Maturity Date of the Convertible Bonds
“Conversion Price”	the conversion price of HK\$0.675 per Conversion Share upon the Bondholders, exercise of conversion rights under the Convertible Bonds (subject to adjustment), provided that the Conversion Price shall not in any event be lower than HK\$0.38
“Conversion Share(s)”	up to initially 96,296,296 new Share(s) to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bond(s)
“Convertible Bond(s)”	the 5% guaranteed convertible bond(s) in the principal amount of HK\$65,000,000 to be issued by the SMI Culture pursuant to the Subscription Agreement



“Convertible Bond Subscription”	the subscription of the Convertible Bonds
“First Guarantee”	means the guarantee dated 4 August 2016 granted by the Guarantor in favour of the Issuer
“First Subscription Agreement”	means the subscription agreement dated 29 July 2016 entered into between the Issuer and the Investor in respect of the subscription of the Notes and HK\$35m Bonds.
“General Mandate”	general mandate granted to the SMI Culture Directors by the Shareholders at the annual general meeting of SMI Culture convened and held on 3 June 2016
“Guarantee”	the deed of guarantee to be entered into by the Guarantor and the Investor
“Guarantor”	SMI Holdings Group Limited (星美控股集團有限公司), a company incorporated in the Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (Stock code: 198)
“Guarantor Board”	the board of Guarantor Directors
“Guarantor Director(s)”	the director(s) of the Guarantor
“Guarantor Group”	the Guarantor and its subsidiaries
“Guarantor Shareholders”	the holder(s) of the ordinary share(s) of HK\$0.10 each in the capital of the Guarantor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK\$35m Bond Instrument”	means the instrument setting out the terms and conditions of the HK\$35m Bonds dated 8 August 2016 (as amended, supplemented or restated from time to time).
“HK\$35m Bonds”	means the convertible bonds in the principal amount of HK\$35,000,000 issued by the Issuer pursuant to the HK\$35m Bond Instrument.

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is/are not connected person(s) of SMI Culture and the Guarantor and is/are independent of SMI Culture and the Guarantor and its connected persons
“Investor”	Cheer Hope Holdings Limited, a limited company incorporated under the laws of the BVI
“Last Trading Day”	5 September 2016, being the last trading day for the Shares prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	on or before 7 October 2016 (or such late date as may be agreed by the parties in writing)
“Maturity Date of the Convertible Bonds”	the date falling on the first anniversary of the date of issue of the Convertible Bonds, which can, at the Investor’s sole and absolute discretion, be extended to the date falling on the second anniversary of the date of issue of the Convertible Bonds and if that is not a Business Day, the first Business Day after
“Notes”	the 5% fixed guaranteed notes in the aggregate principal amount of HK\$315,000,000 issued by SMI Culture on 8 August 2016 to the Investor
“Notes Instrument”	means the instrument setting out the terms and conditions of the Notes dated 8 August 2016 (as amended, supplemented or restated from time to time)
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of SMI Culture

“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into among SMI Culture and the Investor dated 5 September 2016 in relation to the Subscription
“Subscriptions”	the subscriptions of the Convertible Bonds
“Supplemental Deed”	the deed to be entered into between SMI Culture and the Investor in relation to the amendment of the Note Instrument
“SMI Culture Board”	the board of SMI Culture Directors
“SMI Culture”	SMI Culture & Travel Group Holdings Limited (星美文化旅遊集團控股有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the Main Board the Stock Exchange
“SMI Culture Director(s)”	director(s) of SMI Culture
“SMI Culture Group”	SMI Culture and its subsidiaries
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
“%”	per cent.

By order of the board of directors  
**SMI Holdings Group Limited**  
**YANG Rongbing**  
*Executive Director*

By order of the board of directors  
**SMI Culture & Travel Group Holdings Limited**  
**WANG Fei**  
*Chairman and Executive Director*

Hong Kong, 5 September 2016

*As at the date of this joint announcement, the executive directors of SMI Holdings Group Limited are Mr. CHENG Chi Chung and Mr. YANG Rongbing; the non-executive director of SMI Holdings Group Limited is Dr. YAP Allan; and the independent non-executive directors of SMI Holdings Group Limited are Mr. PANG Hong, Mr. LI Fusheng and Mr. LI Wing Yin.*

*As at the date of this joint announcement, the executive directors of SMI Culture & Travel Group Holdings Limited are Mr. Wang Fei (Chairman), Mr. Jiang Feng (President), Mr. Chan Chi To, Antony and Mr. Kong Dalu; and the independent non-executive directors of SMI Culture & Travel Group Limited are Mr. Du Jiang, Mr. Liu Xianbo and Mr. Wu Chien-Chiang.*