

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION
IN RELATION TO SUBSCRIPTION OF SHARES IN
PROSPERITY INTERNATIONAL HOLDINGS (H.K.) LIMITED

THE SUBSCRIPTION AGREEMENT

On 13 June 2017, the Company and Prosperity International entered into the Subscription Agreement, pursuant to which Prosperity International has conditionally agreed to allot and issue, and the Company has conditionally agreed to subscribe for, 1,959,122,793 Subscription Shares in two tranches at the total consideration of approximately HK\$215,503,507. The Subscription Shares represent approximately 19.21% of the issued share capital of Prosperity International as at the date of this announcement, and approximately 16.12% of the issued share capital of Prosperity International as enlarged by the allotment and issue of the Subscription Shares.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Subscriptions is/are more than 5% and less than 25%, the entering into of the Subscription Agreement and the Subscriptions as contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 13 June 2017, the Company and Prosperity International entered into the Subscription Agreement, pursuant to which Prosperity International has conditionally agreed to allot and issue, and the Company has conditionally agreed to subscribe for, 1,959,122,793 Subscription Shares in two tranches at the total consideration of approximately HK\$215,503,507. The Subscription Shares represent approximately 19.21% of the issued share capital of Prosperity International as at the date of this announcement, and approximately 16.12% of the issued share capital of Prosperity International as enlarged by the allotment and issue of the Subscription Shares.

Principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 13 June 2017

Parties: (1) the Company; and
(2) Prosperity International

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Prosperity International and its ultimate beneficial owners, are third parties independent of and not connected with the Company and its connected persons.

Subscription Shares

The Subscription Shares (i.e. 1,959,122,793 Shares) will be subscribed for by the Company in two tranches as follows: (i) the First Tranche Subscription in respect of 639,122,793 Subscription Shares; and (ii) the Second Tranche Subscription in respect of 1,320,000,000 Subscription Shares.

The Subscription Shares represent approximately 19.21% of the issued share capital of Prosperity International as at the date of this announcement, and approximately 16.12% of the issued share capital of Prosperity International as enlarged by the allotment and issue of the Subscription Shares.

The First Tranche Subscription Shares and the Second Tranche Subscription Shares, when issued and fully paid up, shall rank *pari passu* in all respects with all other shares of Prosperity International then in issue and in particular, will rank in full for all dividends and other distributions declared, made or paid at any time on or after the First Tranche Completion Date and the Second Tranche Completion Date respectively.

Consideration

Based on the Subscription Price of HK\$0.11 per Subscription Share, the total consideration payable by the Company for the Subscriptions is HK\$215,503,507.23. Pursuant to the terms of the Subscription Agreement, the consideration of the First Tranche Subscription of HK\$70,303,507.23 shall be paid in cash by the Company to Prosperity International on the First Tranche Completion Date, and the consideration of the Second Tranche Subscription of HK\$145,200,000 shall be paid in cash by the Company to Prosperity International on the Second Tranche Completion Date.

The consideration was determined by the Company and Prosperity International after arm's length negotiations and after taking into account of the financial performance of Prosperity International for the year ended 31 March 2016 and the six months ended 30 September 2016, the recent market prices of the shares of Prosperity International as well as the future prospects of Prosperity International's businesses. The consideration will be satisfied by internal resources of the Group.

Conditions Precedent

The First Tranche Completion is subject to the fulfilment by Prosperity International of the following conditions to the satisfaction of, or waiver in writing (with respect to (c) only) by, the Company:

- (a) the listing of, and permission to deal in, the First Tranche Subscription Shares being granted by the Listing Committee of the Stock Exchange to Prosperity International;
- (b) the shares of Prosperity International remaining listed and traded on the Stock Exchange at all times from the date of the Subscription Agreement to the First Tranche Completion Date and no indication being received by the Company on or before the First Tranche Completion Date from the Stock Exchange to the effect that the listing of the shares of Prosperity International on the Stock Exchange will or may be withdrawn or objected to as a result of the First Tranche Completion or in connection with the terms of the Subscription Agreement (disregarding and excluding any suspension of trading for not more than five consecutive Business Days);
- (c) the representations, warranties and undertakings given by Prosperity International in the Subscription Agreement remaining true and accurate in all material respects and having no material misunderstanding or omission; and

- (d) from the date of the Subscription Agreement and up to the First Tranche Completion Date, there is no material adverse change on the ability of Prosperity International to perform its respective obligations under the Subscription Agreement and the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of Prosperity International and its subsidiaries as a whole.

The Second Tranche Completion is subject to the fulfilment by Prosperity International of the following conditions to the satisfaction of, or waiver in writing (with respect to (e) only) by, the Company:

- (a) the First Tranche Completion;
- (b) the completion and issue of the PMIL Consideration Shares by Prosperity International to Mr. Wong pursuant to the Indonesia Conch SPA;
- (c) the listing of, and permission to deal in, the Second Tranche Subscription Shares being granted by the Listing Committee of the Stock Exchange to Prosperity International;
- (d) the shares of Prosperity International remaining listed and traded on the Stock Exchange at all times from the date of the Subscription Agreement to the Second Tranche Completion Date and no indication being received by the Company on or before the Second Tranche Completion Date from the Stock Exchange to the effect that the listing of the shares of Prosperity International on the Stock Exchange will or may be withdrawn or objected to as a result of the Second Tranche Completion or in connection with the terms of the Subscription Agreement (disregarding and excluding any suspension of trading for not more than five consecutive Business Days);
- (e) the representations, warranties and undertakings given by Prosperity International in the Subscription Agreement remaining true and accurate in all material respects and having no material misunderstanding or omission; and
- (f) from the date of the Subscription Agreement and up to the Second Tranche Completion Date, there is no material adverse change on the ability of Prosperity International to perform its respective obligations under the Subscription Agreement and the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of Prosperity International and its subsidiaries as a whole.

In the event that any one of the First Tranche Conditions Precedent and the Second Tranche Conditions Precedent is not fulfilled by Prosperity International or waived in writing (where applicable) by the Company by 8 August 2017 (being the Long Stop Date), or such later date as may be agreed between Prosperity International and the Company, the Subscription Agreement shall immediately terminate and all rights, obligations and liabilities of the parties in respect of or under the Subscription Agreement shall cease and terminate.

Completion

Subject to the fulfilment (or waiver, where applicable) of the conditions precedent as stated above, the First Tranche Completion and the Second Tranche Completion will take place on the First Tranche Completion Date and the Second Tranche Completion Date respectively, and unless otherwise agreed between the parties and which shall be no later than the Long Stop Date.

INFORMATION OF PROSPERITY INTERNATIONAL

Prosperity International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 803). It is principally engaged in (i) the trading of cement and clinker; (ii) mining and trading of iron ore; and (iii) investment in real estate in the PRC.

The following is the financial information of Prosperity International as extracted from its annual reports for the two years ended 31 March 2016 and its interim report for the six months ended 30 September 2016:

	For the six months ended 30 September 2016/as at 30 September 2016 (HK\$'000)	For the year ended 31 March 2016/as at 31 March 2016 (HK\$'000)	For the year ended 31 March 2015/as at 31 March 2015 (HK\$'000)
Revenue	1,559,098	2,008,509	3,578,700
(Loss)/profit before taxation	178,599	(306,487)	(635,509)
(Loss)/profit after taxation	94,873	(306,749)	(757,901)
Total assets	9,129,028	8,587,968	9,838,890
Net assets	3,526,351	3,458,437	3,361,734

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 198). The Group is principally engaged in operation and management of movie theatre business in the PRC.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

Prosperity International has a number of residential and commercial property projects in China, which may have a positive synergy effect towards the Company. As the Company becomes a shareholder of Prosperity International, the Company may then obtain better location with peripherals from Prosperity International for the new movie theatres in the coming future, which will be advantageous to the rapid development for the Group. Prosperity International promotes the strategy of “The Belt and Road”, which follows the policy of the development in China. For the residential and commercial property projects of Prosperity International that located in the area of “The Belt and Road” also assists the Company to achieve the target for “Stepping Out” to other potential markets and developing the movie theatre business over there.

In addition, taking into account the fact that the Subscription Price represents a discount to the then market price of the shares of Prosperity International and to the net asset value of Prosperity International as at 30 September 2016, the Directors consider that the Subscriptions represent a good opportunity for the Group to purchase the Subscription Shares in order to expand and diversify the investment portfolio of the Group.

In view of the above, the Directors consider that the terms of the Subscriptions are on normal commercial terms, fair and reasonable and the Subscriptions are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Subscriptions is/are more than 5% and less than 25%, the entering into of the Subscription Agreement and the Subscriptions as contemplated thereunder constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Board”	board of the Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holidays in Hong Kong) on which banks in Hong Kong are open for business
“Company”	SMI Holdings Group Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“First Tranche Completion”	the completion of the First Tranche Subscription
“First Tranche Completion Date”	a Business Day to be agreed between the parties to the Subscription Agreement after the last of the First Tranche Conditions Precedent shall have been satisfied but no later than the Long Stop Date
“First Tranche Condition(s) Precedent”	the conditions precedent for the First Tranche Completion
“First Tranche Subscription”	the subscription by the Subscriber for the First Tranche Subscription Shares on the terms and subject to the conditions set out in the Subscription Agreement
“First Tranche Subscription Shares”	639,122,793 new shares to be subscribed for by the Company and to be allotted and issued by Prosperity International
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Indonesia Conch SPA”	the sale and purchase agreement dated 26 October 2016 entered into among Prosperity International, Prosperity Materials (International) Limited (a limited liability company incorporated in Hong Kong and 95% owned by Mr. Wong and his associates) and Full Right Asia Limited in respect of the acquisition of 25% of issued share capital of PT Conch Cement Indonesia, as supplemented by a supplemental agreement dated 28 April 2017 and a second supplemental agreement dated 31 May 2017
“Long Stop Date”	8 August 2017 or such later date as may be agreed between the Company and Prosperity International
“Mr. Wong”	Mr. Wong Ben Koon, a controlling shareholder of Prosperity International
“PMIL Consideration Shares”	2,333,333,333 new fully paid shares to be allotted and issued by Prosperity International to Prosperity Materials (International) Limited (a limited liability company incorporated in Hong Kong and 95% owned by Mr. Wong and his associates) on completion of the Indonesia Conch SPA
“Prosperity International”	Prosperity International Holdings (H.K.) Limited, a company with limited liability incorporated under the laws of Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 803)
“Second Tranche Completion”	the completion of the Second Tranche Subscription
“Second Tranche Completion Date”	a Business Day to be agreed between the parties to the Subscription Agreement after the last of the Second Tranche Conditions Precedent shall have been satisfied but no later than the Long Stop Date
“Second Tranche Condition(s) Precedent”	the conditions precedent for the Second Tranche Completion
“Second Tranche Subscription”	the subscription by the Subscriber for the Second Tranche Subscription Shares on the terms and subject to the conditions set out in the Subscription Agreement

“Second Tranche Subscription Shares”	1,320,000,000 new shares to be subscribed for by the Company and to be allotted and issued by Prosperity International
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the amended and restated subscription agreement entered into between the Company and Prosperity International dated 13 June 2017 (as amended and restated by a deed of amendment of 13 June 2017 to the subscription agreement dated 9 June 2017 between the parties) in relation to the Subscriptions
“Subscriptions”	collectively, the First Tranche Subscription and the Second Tranche Subscription
“Subscription Price”	HK\$0.11 per Subscription Share
“Subscription Shares”	collectively, the First Tranche Subscription Shares and the Second Tranche Subscription Shares

By order of the Board

SMI Holdings Group Limited

YANG Rongbing

Chief Executive Officer and Executive Director

Hong Kong, 13 June 2017

As at the date of this announcement, the executive Directors are Mr. CHENG Chi Chung (Chairman), Mr. YANG Rongbing and Mr. KONG Dalu; the non-executive Directors are Dr. YAP Allan and Mr. HUNG Ka Hai Clement; and the independent non-executive Directors are Mr. PANG Hong, Mr. LI Fusheng and Mr. WONG Shui Yeung.