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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)

INSIDE INFORMATION
UPDATES ON RECENT DEVELOPMENTS
SUSPENSION OF TRADING

This announcement is published by SMI Holdings Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 3 September 2018, 14 September 2018 and 21 September 2018. The board of directors of the Company (the “**Board**”) wishes to provide an update on certain recent developments of the Group:

1. Financial position and business operations

Based on the financial information currently available to the Board, and after having made all reasonable enquiries, the Group is currently short of sufficient working capital to support its business operations. Based on the unaudited management information of the Group as at 30 November 2018:

- the aggregate amount of outstanding wages not yet paid by the Group to some of its employees was approximately HK\$108 million;

- the aggregate amount of outstanding rent not yet paid by the Group for some of its leased premises was approximately HK\$201 million; and
- the aggregate amount of outstanding licence fees for the films screened at its movie theatres not yet paid to its suppliers by the Group was approximately RMB150 million.

As at 30 November 2018, to the best knowledge of the directors of the Company, having made all reasonable enquiries, the Group operated about 320 movie theatres in the People's Republic of China, out of which about 140 have temporarily suspended their operations and about 11 of which may be foreclosed in the near future due to the Group's failure to pay rent. As the Group fails to pay certain licence fees to film suppliers, after active negotiation initiated by the management of the Group with some major suppliers, a settlement plan has been reached and movie supply is being maintained.

2. Breach of loan agreements

The Group entered into loan agreements with more than ten lenders at various times during the period between 2013 and 2018. The Company and its subsidiaries have defaulted on certain loan agreements, and did not repay to the lenders the loan principals and/or accrued interests thereon according to schedules, which constituted events of default. After proactive negotiations between the management of the Group and a lender, a debt restructuring arrangement in relation to a loan of US\$50 million was recently completed. As at 30 November 2018, the outstanding principal amount of loan and the interests accrued thereon were reduced to approximately HK\$3,486 million and HK\$289 million respectively. As at the date of this announcement, the Group has received demand letters from the legal advisers to the relevant lenders for repayment of approximately HK\$400 million in aggregate.

The Group has been proactively negotiating and discussing with the lenders in relation to the possibility of providing additional funding to the Group as well as the possible settlement arrangements, including the conversion of their debts or a portion thereof into equity of the Company. Certain lender(s) are in the process of conducting due diligence on the Group, and based on the current status of negotiation, the Company may enter into a memorandum of understanding with one of the lenders in this regard in the near future.

As disclosed in the annual report of the Company for the year ended 31 December 2017, Mr. Qin Hui (“**Mr Qin**”), the controlling shareholder of the Company, agreed to provide adequate funds for the Company to meet its financial obligations in full as they fall due in the foreseeable future. Mr. Qin had not provided any funding to the Company at this stage.

3. Corporate Bonds

As announced by the Company on 27 March 2018, the Group received subscription offers from financial institutions regarding the issuance of bonds with an aggregate principal amount of not more than RMB1,000,000,000 with a term of not more than three years (the “**Bonds**”) proposed to be listed on the Shenzhen Stock Exchange. The Company has not received any further update from the China Securities Regulatory Commission in this regard. The Company will publish further announcement(s) in relation to the Bonds and comply with all other applicable requirements under the Listing Rules as and when necessary.

The Company will use its best endeavours to resume trading in the Shares on the Stock Exchange as soon as practicable.

CONTINUED SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 September 2018 and will remain suspended until further notice. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

The Company will make further announcement(s) in accordance with the Listing Rules and the Inside Information Provisions as and when necessary in relation to any material development in connection with the above matters. Shareholders of the Company and investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board of
SMI Holdings Group Limited
HUNG Ka Hai Clement
Non-executive Director

Hong Kong, 6 December 2018

As at the date of this announcement, the Board of Directors comprises four Directors, including Mr. Hung Ka Hai Clement as non-executive Director and Mr. Pang Hong, Mr. LI Fusheng and Mr. WONG Shui Yeung as independent non-executive Directors.