

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)

**INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE PROPOSED ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

The Board is pleased to announce that on 4 December 2019 (after trading hours), the Company (as the intended purchaser) entered into the MOU with the Vendor 1 and Vendor 2 (as the intended vendor), pursuant to which the Company intends to acquire and the Vendor intends to sell certain issued share capital of the Target Company. Save for certain clauses regarding, among others, confidentiality, termination, costs and expenses and governing law, the MOU is not legally binding on the Vendor and the Purchaser.

No definitive agreement in relation to the Proposed Acquisition has been entered into by the Group as at the date of this announcement. The Board wishes to emphasise that, the Proposed Acquisition may or may not proceed. If the Proposed Acquisition materialises, it may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 4 December 2019 (after trading hours), the Company (as the intended purchaser) entered into the MOU with the Vendor 1 and Vendor 2 (as the intended vendors), pursuant to which the Company intends to acquire and the Vendors intends to sell the entire issued share capital of the Target Company. As at the date of the MOU, the Vendor 1 and Vendor 2 hold respectively 31.58% and 68.42% of the issued share capital of the Target Company.

Date: 4 December 2019

Parties: (i) the Company, being the intended purchaser; and

(ii) the Vendor 1 and Vendor 2, being the intended vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, and save as aforesaid, the Vendors and their ultimate controlling shareholder(s) are Independent Third Parties.

Assets intended to be acquired

Subject to the parties entering into the Formal Agreement, the Purchaser intends to acquire the entire issued share capital of the Target Company from the Vendors.

Consideration

The consideration for the Proposed Acquisition will be made reference to the net book value and market valuation of the Target Company, and the Company expects to be less than HK\$980 million. The valuation issued by an independent professional valuer engaged by the Purchaser shall form the foundation for fair negotiation and mutual agreement between the Parties and shall be set forth in the Formal Agreement. The consideration of the Proposed Acquisition is subject to further negotiation of the profit guarantee agreed with the Vendors. The consideration shall be satisfied by the allotment and issue of new Consideration Shares upon Completion at an issue price of HK\$2.30 per Share.

Conditions precedent

The completion of the Proposed Acquisition is expected to be conditional upon, among other things, the following conditions precedent:

- (1) the Purchaser is satisfied that the results of the due diligence in respect of the legal and financial of the Target Company;
- (2) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Consideration Shares;
- (3) the Shareholders approving the transaction at the general meeting of the Company in accordance with the Listing Rules;
- (4) other conditions as may be agreed and set forth in the Formal Agreement.

Due diligence review

The Vendor shall provide the Purchaser and/or any persons authorised by the Purchaser with information and documents relating to, among others, the legal, financial and business position of the Target Group as may be reasonably requested by the Purchaser in writing within a reasonable period of time after such request, with the due diligence review to be completed by the Purchaser within 60 days after the date of the MOU (or such later date as the Vendor and the Purchaser may otherwise agree in writing).

Formal Agreement

The Vendors and the Purchaser shall use their best endeavours to enter into the Formal Agreement in relation to the Proposed Acquisition within three months from the date of the MOU (or such later date as the Vendors and the Purchaser may otherwise agree in writing), subject to the results of the aforesaid due diligence review to the Purchaser's satisfaction. The Formal Agreement shall include customary terms, conditions and undertakings for a transaction of this nature as agreed by the Vendor and the Purchaser.

Validity period

The MOU shall expire on 3 March 2020 or upon the execution of the Formal Agreement, whichever is earlier unless extended by agreement of the Vendors and the Purchaser in writing.

Termination

Either party shall have the right to terminate the MOU by giving written notice to the other Party and shall fully release each other from all duties, responsibilities and obligations in any of the following circumstances:

- (1) termination agreed by both parties unanimously;
- (2) either party is insolvent, bankrupt or dissolved;
- (3) the business license of either party is revoked;
- (4) the transaction cannot be realized due to force majeure; or

(5) the Formal Agreement cannot be materialize within three months after the signing of the MOU.

Non-legally binding effect

Save for certain clauses regarding, among others, confidentiality, termination, costs and expenses and governing law, the MOU is not legally binding on the Vendors and the Purchaser.

REASONS FOR THE PROPOSED ACQUISITION

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

The Target Group is mainly engaged in providing one-stop info-integrated solutions operators. Its main businesses include: tri-network integrated basic telecommunications services, ICT system integration services, IOT Internet of things services, mobile Internet services, Internet media information and other comprehensive services.

The Target Group has about 6,600 km of fiber-optic network in Cambodia, which already covers 25 provinces and 90% of the population and has international gateways connecting the world. The Target Group has a full range of qualifications, including DTT/OTT/ISP/VoIP and other certificates. It is the first TV provider of 4K quality in Cambodia, the only OTT TV service provider and the only three-in-one operator in Cambodia. The Target Group mainly provides four types of services to C-terminal home users, b-terminal government-enterprise users and operators: basic telecommunications services, value-added ICT services, value-added ICT services and data center IDC services.

As disclosed in the announcement of the Company dated 2 December 2014, riding on the rapid growth of 4G mobile communications users in China, the Group intended to enter into the mobile telecommunications industry and the relevant income generated from the communications business (data and voice) will further enlarge the revenue of the Company.

In addition, leveraging on the advantages of the Group's existing theatre network resources and online shopping platform in China, the Group can provide its members with film culture and more diversified consumption value-added services, develop more cross-sales projects and fully implement its integrated marketing strategy.

The terms of the MOU were arrived at after arm's length negotiations among the Parties. The Directors consider that the terms of the MOU are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Directors also consider that the Proposed Acquisition is beneficial to the long-term development of the Group and brings strong synergies to the core business of the Group.

No definitive agreement in relation to the Proposed Acquisition has been entered into by the Group as at the date of this announcement. The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. If the Proposed Acquisition materialises, it may constitute a notifiable transaction on the part of the Company under Chapter 14 of the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

CONTINUED SUSPENSION OF TRADING OF SHARES

Dealings in the Company's shares have been suspended with effect from 9:00 a.m. on 3 September 2018. Trading in the shares of the Company will remain suspended until further notice. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

| | |
|--------------------------------|--|
| “Board” | board of Directors |
| “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 (stock code: 198) |
| “Completion” | completion of the Proposed Acquisition |
| “Directors” | directors of the Company |
| “Formal Agreement” | the legally binding formal sale and purchase agreement which may or may not be entered into in relation to the Proposed Acquisition |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | party(ies) who is (are) independent from the Company and its connected persons (as defined in the Listing Rules) |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “MOU” | the non-legally binding memorandum of understanding dated 4 December 2019 entered into between the Purchaser and the Vendors setting out the preliminary understanding in relation to the Proposed Acquisition |

| | |
|------------------------|--|
| "Party(ies)" | party(ies) to the MOU |
| "PRC" | People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region |
| "Proposed Acquisition" | the proposed acquisition of certain issued share capital of the Target Company as contemplated under the MOU |
| "Purchaser" | the Company |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Share(s)" | the fully paid ordinary voting equity shares with a par value of HK\$0.50 each in the capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Target Company" | 新盟通信传媒控股有限公司 (SingMeng Telemedia Holdings Limited), a company incorporated in Cayman Island with limited liability, the entire issued share capital of which are owned by the Vendors |
| "Target Group" | the Target Company and its subsidiaries |
| "Vendors" | Master Glory Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 275) Vendor 1 and Vendor 2 |
| "Vendor 1" | SingMeng Telemedia Group Limited (新盟通信傳媒集團股份有限公司), a company incorporated in the British Virgin Islands with limited liability |
| "Vendor 2" | International Communication Media, Co., Ltd (國際通訊傳媒集團股份有限公司). a company incorporated in the British Virgin Islands with limited liability |
| "HK\$" | Hong Kong dollars, the lawful currency for the time being of Hong Kong |
| "%" | per cent. |

By Order of the Board
SMI Holdings Group Limited
Kenneth Jack Shang
Executive Director

Hong Kong, 4 December 2019

As at the date of this announcement, the Board of Directors comprises seven Directors, including Mr. Kenneth Jack Shang and Mr. Zhang Yong as executive Directors, Mr. Jason Chia-Lun Wang and Mr. Peter Torben Jensen as non-executive Directors and Mr. Pang Hong, Mr. Li Fusheng and Mr. Wong Shui Yeung as independent non-executive Directors.