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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**

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

**(Stock Code: 2366)**

## **JOINT ANNOUNCEMENT**

**DISCLOSEABLE AND  
CONNECTED TRANSACTION  
DEEMED DISPOSAL IN RELATION TO  
SUBSCRIPTION AND PLACING OF  
NEW SHARES OF A SUBSIDIARY**

**CONNECTED TRANSACTION  
SUBSCRIPTION OF NEW SHARES  
UNDER SPECIFIC MANDATE  
AND  
PLACING OF NEW SHARES  
UNDER SPECIFIC MANDATE**

**Placing Agent to SMI Culture & Travel Group Holdings Limited**



**英皇證券(香港)有限公司**

**Emperor Securities Limited**

### **THE SUBSCRIPTION**

On 24 January 2017 (after trading hours of the Stock Exchange), SMI Culture entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber, has conditionally agreed to subscribe for and SMI Culture has conditionally agreed to allot and issue a total of 357,145,000 Subscription Shares at the Subscription Price of HK\$0.70 per Subscription Share.

The Subscription Shares to be subscribed under the Subscription Agreement will be issued pursuant to the Subscription Specific Mandate to allot, issue and deal with the Subscription Shares to be approved and granted to the SMI Culture Directors by the SMI Culture Independent Shareholders at the SGM.

Completion of the Subscription Agreement is subject to satisfaction of the conditions precedent in the Subscription Agreement.

## **THE PLACING**

On 24 January 2017 (after trading hours of the Stock Exchange), SMI Culture entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, a maximum number of 214,285,000 Placing Shares to Placees at a price of HK\$0.70 per Placing Share.

The Placing Shares to be placed under the Placing Agreement will be issued pursuant to the Placing Specific Mandate to allot, issue and deal with the Placing Shares to be approved and granted to the SMI Culture Directors by the SMI Culture Shareholders at the SGM.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

The Subscription and the Placing are not inter-conditional with each other.

The estimated aggregate gross and net proceeds of the Subscription and the Placing will be approximately HK\$400 million and HK\$395 million respectively, which are intended to be used for repayment of debts, financing any future investment or opportunities to be identified and general working capital of SMI Culture Group.

## **LISTING RULES IMPLICATIONS**

### **SMI Culture**

As at the date of this joint announcement, the Subscriber is the chairman of the SMI Culture Board and an executive director of SMI Culture. Therefore, the Subscriber is a connected person of SMI Culture under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction for SMI Culture under the Listing Rules and is subject to the reporting, announcement and SMI Culture Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SMI Culture will establish an SMI Culture Independent Board Committee to advise the SMI Culture Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. SMI Culture will also appoint an independent financial adviser to advise the SMI Culture Independent Board Committee and the SMI Culture Independent Shareholders on the same.

The Subscription and the Placing will be subject to the approval of the SMI Culture Independent Shareholders and the SMI Culture Shareholders respectively. The SGM will be convened and held for the SMI Culture Independent Shareholders and the SMI Culture Shareholders to consider and, if thought fit, approve the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandates to allot and issue the Subscription Shares and the Placing Shares) respectively. The Subscriber and its associates, being connected persons of SMI Culture and having material interests in the Subscription, will abstain from voting on the relevant resolution at the SGM.

### **SMI Holdings**

Upon completion of the Subscription and the Placing, the interests of SMI Holdings (through its shareholding interests in SMI Investment) in SMI Culture will be diluted from approximately 64.58% to approximately 38.83% and SMI Culture will cease to be a subsidiary of SMI Holdings. Thus, the Subscription and the Placing will constitute a deemed disposal for the SMI Holdings' interests in SMI Culture under Rule 14.29 of the Listing Rules.

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal is/are more than 5% but less than 25%, the Subscription and the Placing constitute a discloseable transaction for SMI Holdings under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Subscriber is a connected person of SMI Holdings at the subsidiary level under Rule 14A.07(1) of the Listing Rules, the Subscription constitutes a connected transaction for SMI Holdings pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as the board of directors of SMI Holdings has approved the Subscription and the independent non-executive directors of SMI Holdings have confirmed that the terms of the Subscription are fair and reasonable, the Subscription is on normal commercial terms and in the interests of SMI Holdings and its shareholders as a whole, the Subscription is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The SGM will be convened and held for the SMI Culture Independent Shareholders and the SMI Culture Shareholders to consider and if thought fit to approve the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandates to allot and issue the Subscription Shares and the Placing Shares) respectively. A circular containing, among other things, (i) further details about the Subscription Agreement and the Placing Agreement; (ii) the recommendation letter of the SMI Culture Independent Board Committee to the SMI Culture Independent Shareholders in respect of the Subscription; (iii) a letter from an independent financial adviser containing its advice to the SMI Culture Independent Board Committee and the SMI Culture Independent Shareholders in respect of the Subscription; and (iv) the notice convening the SGM is expected to be despatched to SMI Culture Shareholders on or before 28 February 2017.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**Completion of the Subscription and the Placing is subject to the satisfaction and/or waiver (if applicable) of the conditions precedent in the Subscription Agreement and the Placing Agreement and therefore, the Subscription and the Placing may or may not proceed. SMI Culture Shareholders, shareholders of SMI Holdings and potential investors are advised to exercise caution when dealing in the SMI Culture Shares and the shares of SMI Holdings.**

## **THE SUBSCRIPTION**

### **The Subscription Agreement**

Date: 24 January 2017 (after trading hours of the Stock Exchange)

Issuer: SMI Culture

Subscriber: Mr. Zhong Naixiong, the chairman of the SMI Culture Board and an executive director of SMI Culture.

As at the date of this joint announcement, the Subscriber does not have any interests in SMI Culture.

### **The Subscription Shares**

Pursuant to the terms of the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for 357,145,000 Subscription Shares.

The Subscription Shares represent:

- (i) approximately 41.44% of the existing issued shares of SMI Culture, being 861,909,535 SMI Culture Shares as at the date of this joint announcement;
- (ii) approximately 29.30% of the issued shares of SMI Culture, being 1,219,054,535 SMI Culture Shares as enlarged by the issue of the Subscription Shares (assuming no issue or repurchase of Shares other than the issue of the Subscription Shares); and
- (iii) approximately 24.92% of the issued shares of SMI Culture, being 1,433,339,535 SMI Culture Shares as enlarged by the Subscription and the Placing (assuming no issue or repurchase of SMI Culture Shares other than the issue of the Subscription Shares and the Placing Shares).

The aggregate nominal value of the Subscription Shares is HK\$3,571,450,

## **The Subscription Price**

The Subscription Price for the Subscription Shares is HK\$0.70 per Subscription Share and represents:

- (i) a discount of approximately 12.50% to the closing price of HK\$0.80 per SMI Culture Share as quoted on the Stock Exchange on 24 January 2017, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.15% to the average closing price of approximately HK\$0.806 per SMI Culture Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price is the same as the Placing Price. The Subscription Price was determined after arm's length negotiations between SMI Culture and the Subscriber with reference to the prevailing market price of the SMI Culture Shares and the Placing Price. The SMI Culture Directors (excluding the independent non-executive directors of SMI Culture who will express their view upon the rendering of the advice by the independent financial adviser) consider that the Subscription Price is fair and reasonable and in the interest of SMI Culture and the SMI Culture Shareholders as a whole. The aggregate Subscription Price will be payable by the Subscriber in cash upon completion of the Subscription Agreement.

The Subscription Shares to be subscribed under the Subscription Agreement will be issued pursuant to the Subscription Specific Mandate to allot, issue and deal with the Subscription Shares to be approved and granted to the SMI Culture Directors by the SMI Culture Independent Shareholders at the SGM.

## **Ranking of Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the SMI Culture Shares then in issue.

## **Conditions of the Subscription**

The Subscription Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of the necessary resolution(s) at the SGM by the SMI Culture Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder;

- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked approval for the listing of, and permission to deal in the Subscription Shares;
- (iii) the compliance of any other requirements under the Listing Rules and the Takeovers Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Subscription and the issue of the Subscription Shares;
- (iv) there being no material breach of the representations and warranties of SMI Culture under the terms of the Subscription Agreement;
- (v) no material adverse change in relation to business, financial or trading position of the Group as a whole having occurred; and
- (vi) the Subscription Agreement not having been terminated in accordance with its terms.

If any of the conditions precedent set out in paragraphs (i) to (iii) (which are incapable of being waived) is not fulfilled on or before 30 June 2017 (or such later date as may be agreed between SMI Culture and the Subscriber), and the conditions precedent set out in paragraphs (iv) to (vi) do not remain fulfilled or waived by the Subscriber as at the date scheduled for completion, all rights, obligations and liabilities of the parties of the Subscription Agreement shall cease and determine and none of the parties thereto shall have any claim against the others in respect of the Subscription Agreement (save for any antecedent breaches thereof).

The Subscription is not inter-conditional with the Placing.

### **Specific Mandate to issue the Subscription Shares**

The Subscription Shares will be issued pursuant to the Subscription Specific Mandate to be sought from the SMI Culture Independent Shareholders at the SGM. The Subscription Specific Mandate, if approved, will be valid until the completion of the Subscription or termination of the Subscription Agreement.

### **Completion of the Subscription**

Completion of the Subscription Agreement shall take place on the third Business Day immediately after the fulfilment of the respective conditions as set out in the Subscription Agreement or such other date as SMI Culture and the Subscriber may agree.

## **Listing of Subscription Shares**

Application will be made by SMI Culture to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

## **THE PLACING**

### **The Placing Agreement**

Date: 24 January 2017 (after trading hours of the Stock Exchange)

Issuer: SMI Culture

Placing Agent: Emperor Securities

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties to SMI Culture.

### **The Placing Shares**

Pursuant to the Placing Agreement, the Placing Agent has conditionally agreed to procure, on a best effort basis, Placees to subscribe for a maximum number of 214,285,000 Placing Shares.

The Placing Shares represent:

- (i) approximately 24.86% of the existing issued shares of SMI Culture, being 861,909,535 SMI Culture Shares as at the date of this joint announcement;
- (ii) approximately 19.91% of the issued shares of SMI Culture, being 1,076,194,535 SMI Culture Shares as enlarged by the issue of the Placing Shares (assuming no issue or repurchase of Shares other than the issue of the Placing Shares); and
- (iii) approximately 14.95% of the issued shares of SMI Culture, being 1,433,339,535 SMI Culture Shares as enlarged by the Placing and the Subscription (assuming no issue or repurchase of SMI Culture Shares other than the issue of the Placing Shares and the Subscription Shares).

The aggregate nominal value of the Placing Shares is HK\$2,142,850.

## **The Placing Price**

The Placing Price for the Placing Shares is HK\$0.70 per Placing Share and represents:

- (i) a discount of approximately 12.50% to the closing price of HK\$0.80 per SMI Culture Share as quoted on the Stock Exchange on 24 January 2017, being the date of the Placing Agreement; and
- (ii) a discount of approximately 13.15% to the average closing price of approximately HK\$0.806 per SMI Culture Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Placing Agreement.

The Placing Price is the same as the Subscription Price. The Placing Price was determined with reference to the prevailing market price of the SMI Culture Shares and the Subscription Price, which was arrived at after arm's length negotiation between SMI Culture and the Placing Agent. Assuming all the Placing Shares are successfully placed, the gross proceeds and net proceeds from the Placing will be approximately HK\$150 million and approximately HK\$145 million respectively and the net Placing Price per Placing Share is approximately HK\$0.68.

## **Ranking of Placing Shares**

The Placing Shares, when issued and fully paid, will rank *pari passu* among themselves and with the SMI Culture Shares then in issue.

## **Placee(s)**

The Placing Agent has agreed to procure Placees (who will be professional, institutional and/or individual investors), who and whose ultimate beneficial owners will be Independent Third Parties. It is expected that none of the Placee(s) will become a substantial shareholder of SMI Culture immediately after completion of the Placing. If any of the Placees becomes a substantial shareholder of SMI Culture as a result of the Placing, further announcement(s) will be made by SMI Culture as and when appropriate.

## **Placing commission**

The Placing Agent shall receive a placing commission of 3% of the amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed.

The SMI Culture Directors consider that the terms of the Placing Agreement (including the Placing Price and placing commission) are on normal commercial terms and are fair and reasonable.

## **Conditions of the Placing**

The Placing Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the passing of the necessary resolution(s) at the SGM by the SMI Culture Shareholders to approve the Placing Agreement and the transactions contemplated thereunder; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked approval for the listing of, and permission to deal in the Placing Shares.

If any of the conditions precedent is not fulfilled on or before 30 June 2017 (or such later date as may be agreed between SMI Culture and the Placing Agent), the Placing Agreement shall terminate and all rights, obligations and liabilities of the parties hereunder in relation to the Placing shall cease and determine and the Placing Agent shall be released from all obligations pursuant to the Placing Agreement and none of the parties shall have any claim against the others in respect of the Placing save for any antecedent breach. All the conditions precedent are incapable of being waived.

The Placing is not inter-conditional with the Subscription.

## **Termination of the Placing**

The Placing Agent may terminate the Placing Agreement without any liability to SMI Culture, by notice in writing given to SMI Culture at any time prior to 9:00 a.m. on the date of completion of the Placing Agreement upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of SMI Culture or SMI Culture Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement, if there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or

- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the SMI Culture Group and if in the Placing Agent's reasonable opinion any such new law or change may affect the business or financial prospects of the SMI Culture Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the SMI Culture Group, which has or may have a material effect on the business or financial position of the SMI Culture Group and which in the Placing Agent's reasonable opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the completion date of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a breach by SMI Culture of any other provision of the Placing Agreement; or
- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

### **Specific Mandate to issue the Placing Shares**

The Placing Shares will be issued pursuant to the Placing Specific Mandate to be sought from the SMI Culture Shareholders at the SGM. The Placing Specific Mandate, if approved, will be valid until the completion of the Placing or termination of the Placing Agreement.

## Completion of the Placing

Completion of the Placing will take place at 4:00 p.m. on a day which falls within three Business Days after the fulfilment of the respective conditions as set out in the Placing Agreement or such other date as SMI Culture and the Placing Agent may agree in writing.

## Listing of the Placing Shares

Application will be made by SMI Culture to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

## SHAREHOLDING STRUCTURE OF SMI CULTURE

Set out below is the shareholding structure of SMI Culture (i) as at the date of this joint announcement; (ii) immediately after completion of the Subscription; (iii) immediately after completion of the Placing; and (iv) immediately after completion of the Subscription and the Placing.

Assuming no further issue of new SMI Culture Shares or repurchase of SMI Culture Shares up to the date of completion of the Subscription and the Placing (other than as a result of the allotment and issue of the Subscription Shares and the Placing Shares):

	As at the date of this joint announcement		Upon completion of the Subscription only		Upon completion of the Placing only		Upon completion of the Subscription and the Placing	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SMI Investment (Note)	556,647,184	64.58	556,647,184	45.66	556,647,184	51.72	556,647,184	38.83
Subscriber	—	—	357,145,000	29.30	—	—	357,145,000	24.92
Public Shareholders								
— Placees	—	—	—	—	214,285,000	19.91	214,285,000	14.95
— Other Public Shareholders	305,262,351	35.42	305,262,351	25.04	305,262,351	28.37	305,262,351	21.30
Subtotal	305,262,351	35.42	305,262,351	25.04	519,547,351	48.28	519,547,351	36.25
TOTAL	861,909,535	100.00	1,219,054,535	100.00	1,076,194,535	100.00	1,433,339,535	100.00

Note:

SMI Investment is wholly owned by SMI Holdings. SMI Holdings is owned as to approximately 61.17% by Mr. Qin Hui himself directly and indirectly through Strategic Media.

## FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Set out below are the fund raising activities of SMI Culture during the past 12 months immediately preceding the date of this joint announcement:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of the net proceeds</b>	<b>Actual use of proceeds (approximately)</b>
29 July 2016	Issue of notes and convertible bonds	HK\$345.9 million	General working capital and future acquisitions requirements	Approximately HK\$250 million had been used in repayment of bank loans as part of working capital; approximately HK\$65 million had been used for early redemption of notes; and approximately HK\$30.9 million has not been utilised
8 August 2016	Issue of notes and convertible bonds	HK\$296.5 million	General working capital for movie production and distribution and for future acquisition plans	Fully utilised on investment in movie production and distribution
5 September 2016	Issue of convertible bonds	HK\$65 million	General working capital and for future acquisitions	HK\$65 million has not been utilised

Save for disclosed herein, SMI Culture has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this joint announcement.

## **USE OF PROCEEDS**

The gross proceeds of the Subscription and the Placing will be in an aggregate of HK\$400 million. The net proceeds from the Subscription and the Placing, after the deduction of the relevant commission and other related expenses, are estimated to be in an aggregate of approximately HK\$395 million. SMI Culture intends to utilise as repayment of debts, finance any future investment or opportunities to be identified and general working capital of SMI Culture Group.

## **REASONS FOR THE SUBSCRIPTION AND THE PLACING**

The SMI Culture Group is principally engaged in the investments in the production and distribution of films, investments in the production and distribution of television dramas, creations, production and distribution of new media contents, production and distribution of online and film advertisements and agency operations for films, directors, scriptwriters and artists, and travel business.

The SMI Holdings Group is principally engaged in movie theater operation, investments in film production and distribution, in-theatre counter sales and online shopping.

In view of the recent market conditions, the SMI Culture Directors and SMI Holdings Directors consider that the Subscription and the Placing represent good opportunities for SMI Culture to raise further funding to support SMI Culture's continuous development and business growth, which is in the interests of SMI Culture and the SMI Culture Shareholders, including SMI Holdings, as a whole.

The directors of SMI Holdings (including the independent non-executive directors) are of the view that the terms of the Subscription Agreement are fair and reasonable and the Subscription was under normal commercial terms and in the interests of SMI Holdings and its shareholders as a whole.

## FINANCIAL INFORMATION OF SMI CULTURE

Below financial information of SMI Culture based on its interim report for the six months ended 30 June 2016 and the annual report for the year ended 31 December 2015.

	<b>As at</b>	
	<b>30 June 2016</b>	
	(unaudited)	
	<i>HK\$'000</i>	
Net asset value	527,963	

  

	<b>For the year</b>	<b>For the year</b>
	<b>ended</b>	<b>ended</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2015</b>	<b>2014</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before tax	49,519	(517,539)
Profit/(loss) after tax	18,602	(563,255)

## FINANCIAL EFFECTS ON SMI HOLDINGS

As at the date of this joint announcement, SMI Investment, being wholly owned by SMI Holdings, is interested in 556,647,184 SMI Culture Shares, representing approximately 64.58% of the total issued share capital of SMI Culture. Accordingly, SMI Culture is a non-wholly owned subsidiary of SMI Holdings. Upon completion of the Subscription and the Placing, the interests of SMI Holdings (through its shareholding interests in SMI Investment) in SMI Culture will be diluted from approximately 64.58% to approximately 38.83% and SMI Culture will cease to be a subsidiary of SMI Holdings and its financial results will not be included in the consolidated financial statements of SMI Holdings. It is expected that, upon completion of the Deemed Disposal, SMI Holdings Group will record an estimated gain before taxation of approximately HK\$20 million, which is calculated with reference to the net assets of SMI Culture as at 30 June 2016. The actual gain or loss to be recorded by SMI Holdings Group is subject to audit.

## **LISTING RULES IMPLICATIONS**

### **SMI Culture**

As at the date of this joint announcement, the Subscriber is the chairman of the SMI Culture Board and an executive director of SMI Culture. Therefore, the Subscriber is a connected person of SMI Culture under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a non-exempt connected transaction for SMI Culture under the Listing Rules and is subject to the reporting, announcement and SMI Culture Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SMI Culture will establish the SMI Culture Independent Board Committee to advise the SMI Culture Independent Shareholders on the Subscription, the Subscription Agreement and the transactions contemplated thereunder. SMI Culture will also appoint an independent financial adviser to advise the SMI Culture Independent Board Committee and the SMI Culture Independent Shareholders on the same.

The Subscription and the Placing will be subject to the approval of the SMI Culture Independent Shareholders and the SMI Culture Shareholders respectively. The SGM will be convened and held for the SMI Culture Independent Shareholders and the SMI Culture Shareholders to consider and, if thought fit, approve the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandates to allot and issue the Subscription Shares and the Placing Shares) respectively. The Subscriber and its associates, being connected persons of SMI Culture and having material interests in the Subscription, will abstain from voting on the relevant resolution at the SGM.

### **SMI Holdings**

Upon completion of the Subscription and the Placing, the interests of SMI Holdings (through its shareholding interests in SMI Investment) in SMI Culture will be diluted from approximately 64.58% to approximately 38.83% and SMI Culture will cease to be a subsidiary of SMI Holdings. Thus, the Subscription and the Placing will constitute a deemed disposal for the SMI Holdings' interests in SMI Culture under Rule 14.29 of the Listing Rules.

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Deemed Disposal are more than 5% but less than 25%, the Subscription and the Placing constitute a discloseable transaction for SMI Holdings under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Subscriber is a connected person of SMI Holdings at the subsidiary level under Rule 14A.07(1) of the Listing Rules, the Subscription constitutes a connected transaction for SMI Holdings pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as the board of directors of SMI Holdings has approved the Subscription and the independent non-executive directors of SMI Holdings have confirmed that the terms of the Subscription are fair and reasonable, the Subscription is on normal commercial terms and in the interests of SMI Holdings and its shareholders as a whole, the Subscription is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The SGM will be convened and held for the SMI Culture Independent Shareholders and the SMI Culture Shareholders to consider and if thought fit to approve the Subscription Agreement and the Placing Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandates to allot and issue the Subscription Shares and the Placing Shares) respectively. A circular containing, among other things, (i) further details about the Subscription Agreement and the Placing Agreement; (ii) the recommendation letter of the SMI Culture Independent Board Committee to the SMI Culture Independent Shareholders in respect of the Subscription; (iii) a letter from an independent financial adviser containing its advice to the SMI Culture Independent Board Committee and the SMI Culture Independent Shareholders in respect of the Subscription; and (iv) the notice convening the SGM is expected to be despatched to SMI Culture Shareholders on or before 28 February 2017.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**Completion of the Subscription and the Placing is subject to the satisfaction and/or waiver (if applicable) of the conditions precedent in the Subscription Agreement and the Placing Agreement and therefore, the Subscription and the Placing may or may not proceed. SMI Culture Shareholders, shareholders of SMI Holdings and potential investors are advised to exercise caution when dealing in the SMI Culture Shares and shares of SMI Holdings.**

## DEFINITION

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Business Day(s)”	any day (excluding Saturdays and Sundays and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Deemed Disposal”	the dilution in the interests of SMI Holdings (through its shareholding interests in SMI Investment) in SMI Culture from approximately 64.58% to approximately 38.83% upon completion of the Subscription and the Placing
“Emperor Securities”/ “Placing Agent”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Future’s Ordinance (Cap 571 of the laws of Hong Kong)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third parties independent of and not connected (as defined under the Listing Rules) with SMI Culture and connected person(s) of SMI Culture
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	any independent professional, institutional, and/or individual investors who are not connected with any directors, chief executive or substantial shareholder(s) (if any) of SMI Culture or their respective associates
“Placing”	the placing of the Placing Shares on a best effort basis pursuant to the terms and conditions of the Placing Agreement
“Placing Agreement”	the placing agreement entered into between SMI Culture and the Placing Agent on 24 January 2017 (after trading hours of the Stock Exchange) in respect of the Placing
“Placing Price”	HK\$0.70 per Placing Share
“Placing Share(s)”	a maximum number of 214,285,000 new SMI Culture Shares to be placed pursuant to the Placing Agreement
“Placing Specific Mandate”	the specific mandate to be sought from and, if approved, granted by the SMI Culture Shareholders to the SMI Culture Directors at the SGM for the allotment and issuance of the Placing Shares pursuant to the Placing Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of SMI Culture to be convened to consider and, if thought fit, to approve the Subscription Agreement, the Placing Agreement and the respective transactions contemplated thereunder (including the grant of the Specific Mandates to allot and issue the Subscription Shares and the Placing Shares)
“SMI Culture”	SMI Culture & Travel Group Holdings Limited, 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 of the Stock Exchange (stock code: 2366)
“SMI Culture Board”	the board of directors of SMI Culture
“SMI Culture Director(s)”	director(s) of SMI Culture

“SMI Culture Group”	SMI Culture and its subsidiaries
“SMI Culture Independent Board Committee”	the independent board committee of SMI Culture comprising all the independent non-executive directors of SMI Culture, namely, Mr. Rao Yong, Mr. Liu Xianbo and Mr. Wu Chien-Chiang, established for the purpose of advising the SMI Culture Independent Shareholders on the Subscription
“SMI Culture Independent Shareholders”	SMI Culture Shareholders other than those who are required under the Listing Rules to abstain from voting at the SGM for the resolution approving the Subscription under the Subscription Specific Mandate
“SMI Culture Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of SMI Culture
“SMI Culture Shareholder(s)”	the holder(s) of issued SMI Culture Shares
“SMI Holdings”	SMI Holdings Group Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 198)
“SMI Holdings Director(s)”	director(s) of SMI Holdings
“SMI Holdings Group”	SMI Holdings and its subsidiaries
“SMI Investment”	SMI Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of SMI Holdings
“Specific Mandates”	the Subscription Specific Mandate and the Placing Specific Mandate
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Media”	Strategic Media International Limited, a company incorporated in the British Virgin Islands with limited liability, and is wholly-owned by Mr. Qin Hui as at the date of this joint announcement

“Subscriber”	Mr. Zhong Naixiong, the chairman of the SMI Culture Board and an executive director of SMI Culture, being the subscriber of the Subscription under the Subscription Agreement
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between SMI Culture and the Subscriber on 24 January 2017 (after trading hours of the Stock Exchange) in respect of the Subscription
“Subscription Price”	HK\$0.70 per Subscription Share
“Subscription Shares”	the 357,145,000 new SMI Culture Shares to be issued and allotted by SMI Culture to the Subscriber or their nominees pursuant to the terms and conditions of the Subscription Agreement
“Subscription Specific Mandate”	the specific mandate to be sought from and, if approved, granted by the SMI Culture Independent Shareholders to the SMI Culture Directors at the SGM for the allotment and issuance of the Subscription Shares pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	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**  
**ZHONG Naixiong**  
*Chairman and Executive Director*

Hong Kong, 24 January 2017

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

*As at the date of this joint announcement, the executive directors of SMI Culture are Mr. Zhong Naixiong (Chairman), Mr. Kong Dalu and Ms. Yao Qinxi; and the independent non-executive directors of SMI Culture are Mr. Rao Yong, Mr. Liu Xianbo and Mr. Wu Chien-Chiang.*