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SMI CORPORATION LIMITED

星美國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 198)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



結好證券有限公司
GET NICE SECURITIES LIMITED

PLACING OF NEW SHARES

On 20 August 2014 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a best effort basis, a maximum of 780,000,000 new Shares to one Placee at a price of HK\$0.285 per Placing Share.

* For identification purpose only

The maximum number of 780,000,000 Placing Shares represents (i) approximately 8.30% of the issued share capital of the Company of 9,395,967,571 Shares as at the date of this announcement; and (ii) approximately 7.67% of the issued share capital of the Company of 10,175,967,571 Shares as enlarged by the issue of the 780,000,000 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$78,000,000.

The Placing Price of HK\$0.285 per Share represents (i) a discount of approximately 5% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on 20 August 2014, being the date of the Placing Agreement; and (ii) a discount of approximately 4.68% to the average closing price of approximately HK\$0.299 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 19 August 2014, being the last trading day prior to the date of the Placing Agreement.

The Placing Shares will be issued under the General Mandate and therefore the issue of the Placing Shares will not be subject to the approval of the Shareholders. The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$222.3 million and HK\$221.1 million, respectively. The net Placing Price will be approximately HK\$0.283 per Share. The net proceeds from the Placing are intended to be used for the Group's investment purposes, general working capital requirements, repayment of liabilities and fulfilment of capital commitment.

Shareholders and potential investors should note that completion of the Placing is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date : 20 August 2014 (after trading hours)

Issuer : the Company

Placing Agent : Get Nice Securities Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Number of Placing Shares

Pursuant to the Placing Agreement, the Placing Agent agreed to procure, on a best effort basis, one Placee to subscribe for a maximum of 780,000,000 Placing Shares at a price of HK\$0.285 per Placing Share. The maximum number of 780,000,000 Placing Shares represents (i) approximately 8.30% of the issued share capital of the Company of 9,395,967,571 Shares as at the date of this announcement; and (ii) approximately 7.67% of the issued share capital of the Company of 10,175,967,571 Shares as enlarged by the issue of the 780,000,000 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$78,000,000.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.285 per Share represents (i) a discount of approximately 5% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on 20 August 2014, being the date of the Placing Agreement; and (ii) a discount of approximately 4.68% to the average closing price of approximately HK\$0.299 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 19 August 2014, being the last trading day prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent on the date of the Placing Agreement with reference to the prevailing market price of the Shares.

The Placing Price will not trigger any adjustment to the initial conversion price of the Unconverted Convertible Bonds.

The 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 and that the Placing is in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Shares will be placed to one Placee, who is independent of, and not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates. It is expected that the Placee will not become a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing.

Conditions of the Placing Agreement

Completion of the Placing by the Placing Agent of the Placing Shares under the Placing Agreement is conditional upon:

- (i) the approval by the Board of the Placing Agreement and the transactions contemplated thereunder and/or all other consents and acts required under the Listing Rules having been obtained and completed;
- (ii) the Listing Committee of the Stock Exchange having granted listing of, and permission to deal in, the Placing Shares, and such listing and permission not having been subsequently revoked;
- (iii) the Bermuda Monetary Authority having granted all, and not revoking any necessary approvals and permissions for the creation, allotment and issue of the Placing Shares; and
- (iv) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

The Placing Agent shall use its best endeavours to procure, and shall give all necessary assistance to the Company in, the fulfilment of the conditions and in the event the conditions are not fulfilled by 10 September 2014 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and the Placing will not proceed and all obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the others in respect of the Placing save for any antecedent breach.

Termination and force majeure

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to 9:00 a.m. on the date of completion of the Placing Agreement, if in the absolute opinion of the Placing Agent the success of the Placing would be materially and adversely affected by the following force majeure events:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the date of completion of the Placing Agreement,

- (i) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (ii) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or any announcements or circulars relating to the Placing; or
- (iii) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing;

the Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent 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.

Completion

Completion of the Placing will take place within four Business Days after the fulfilment of all of the conditions as set out in paragraph headed “Conditions of the Placing Agreement” above or such other date as the Company and the Placing Agent may agree in writing.

Placing commission

The Placing Agent shall receive a placing commission of 0.5% of the aggregate amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed. The placing commission was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the market rate.

General Mandate

The maximum of 780,000,000 Placing Shares will be issued and allotted under the General Mandate. As at the date of this announcement, the number of new Shares that could be issued by the Company under the General Mandate is 1,824,806,127 Shares.

Reference is made to the announcement of the Company dated 7 August 2014 in relation to the issuance of 9% senior convertible bonds of up to HK\$200,000,000 due 2017. Upon completion of the issuance of the 2017 Convertible Bonds and assuming full conversion of the 2017 Convertible Bonds, 588,235,294 conversion Shares will be issued, representing 32.24% of the number of new Shares that could be issued by the Company under the General Mandate. The unutilised number of Shares under the General Mandate after deducting the maximum number of Shares to be issued under the 2017 Convertible Bonds is 1,236,570,833 Shares. The aggregate of the maximum number of 1,368,235,294 conversion Shares and Placing Shares to be allotted and issued will utilise approximately 74.98% of the number of new Shares that could be issued by the Company under the General Mandate. As such, no Shareholders’ approval is required for the allotment and issue of the Placing Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING OF NEW SHARE AND USE OF PROCEEDS

The principal activities of the Group include (i) movie theater operation; (ii) investments in film production and distribution; and (iii) expansion of new complementary business on online shopping and in-theater counter sales and advertising and promotion business.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$222.3 million and HK\$221.1 million, respectively. The net Placing Price will be approximately HK\$0.283 per Share. The net proceeds from the Placing are intended to be used for the Group's investment purposes, general working capital requirements, repayment of liabilities and fulfilment of capital commitment.

The Directors are of the view that the Placing will provide additional working capital to the Group to satisfy its capital needs for the upcoming investment and business opportunities and will also broaden the capital and shareholder base of the Group. The Directors also consider that the terms of the Placing, including the rate of the placing commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Placing is in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fund raising activities in the twelve months immediately prior to the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
7 August 2014	Subscription of the 2017 Convertible Bonds up to HK\$200,000,000 at conversion price of HK\$0.34 per Share	Up to HK\$200,000,000	To be applied for the Group's capital expenditure, repayment of liabilities and general working capital requirements	The subscription has not yet completed
15 May 2014	Subscription of bonds up to HK\$250,000,000	Up to HK\$244,300,000 (estimated)	To be applied for the Group's general working capital requirements and repayment of liabilities	The subscription has not yet completed
14 March 2014	Subscription of convertible bonds	HK\$77,500,000	For general working capital requirements and repayment of liabilities	For general working capital requirement
27 February 2014	Placing of bonds and issue of unlisted warrants under the general mandate	(i) HK\$142,600,000 of issuance of bonds; and (ii) HK\$147,200,000 of exercise of the warrants	For general working capital requirements and repayment of liabilities and to satisfy capital needs for upcoming investment and business opportunities	For general working capital requirement and repayment of liabilities
17 January 2014	Subscription of new Shares	HK\$111,800,000	For general working capital requirements and repayment of liabilities	For general working capital requirement and repayment of liabilities
13 September 2013	Placing of new Shares	HK\$61,000,000	For general working capital requirements and repayment of liabilities	For general working capital requirement and repayment of liabilities

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Placing.

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. QIN Hui	6,632,768,664	70.59	6,632,768,664	65.18
SMIL (<i>Note 1</i>)	23,878,623	0.25	23,878,623	0.23
Mr. YANG Rongbing (<i>Note 2</i>)	1,076,000	0.01	1,076,000	0.01
Public Shareholders	2,738,244,284	29.15	2,738,244,284	26.91
Places	—	—	780,000,000	7.67
Total	<u>9,395,967,571</u>	<u>100.00</u>	<u>10,175,967,571</u>	<u>100.00</u>

Notes:

1. Mr. QIN Hui owns the entire interest in Strategic Media International Limited (“SMIL”) and was accordingly deemed to be interested in 23,878,623 Shares which are held by SMIL.
2. Mr. YANG Rongbing is an executive Director.

Shareholders and potential investors should note that completion of the Placing is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“2017 Convertible Bonds”	the 9% senior convertible bonds of up to HK\$200,000,000 due 2017, details of which are set out in the announcement of the Company dated 7 August 2014
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business
“Company”	SMI Corporation Limited, a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 198)
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 June 2014 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 6 June 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee”	Dr. Charles CHAN Kwok Keung who is independent of, and not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates
“Placing”	the placing of a maximum number of 780,000,000 Placing Shares on a best effort basis pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	Get Nice Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), acting as the placing agent of the Placing Shares under the Placing Agreement
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 20 August 2014 in respect of the Placing
“Placing Price”	HK\$0.285 per Placing Share (excluding any SFC transaction levy, Stock Exchange trading fee and other fees or levies as may be payable by the Placees)
“Placing Shares”	a maximum number of 780,000,000 Shares to be issued pursuant to the Placing Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Unconverted Convertible Bonds”	all convertible bonds and convertible notes issued by the Company which have not yet been converted into Shares, including the 2017 Convertible Bonds, the 0.25% coupon convertible notes in the principal amount of HK\$141 million due 2015, the 5% coupon convertible notes in the principal amount of HK\$10,250,000 due 2017 and the 8% convertible bonds in the principal amount of HK\$77,643,990 due 2019
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of
SMI Corporation Limited
YANG Rongbing
Executive Director

Hong Kong, 20 August 2014

As at the date of this announcement, the executive Directors are Mr. CHENG Chi Chung, Mr. YANG Rongbing, Mr. NG Kam Tsun, Mr. XI Qing and Mr. LI Yige. The independent non-executive Directors are Mr. HE Peigang, Mr. PANG Hong and Mr. LI Fusheng.