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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SMI Holdings Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE  
TO ISSUE AND ALLOT SHARES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

 **BRIDGE PARTNERS**

**BRIDGE PARTNERS CAPITAL LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Bridge Partners containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 31 of this circular.

A notice convening the SGM to be held at Joint Professional Centre, Unit 1, G/F., The Center, 99 Queen’s Road Central, Hong Kong, on Wednesday, 6 January 2016 at 11:00 a.m., is set out on pages 32 to 35 of this circular. A form of proxy for use by the Independent Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange at “www.hkexnews.hk” and the Company at “www.smi198.com”. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

17 December 2015

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*This circular in both English and Chinese is available in printed form and published on the respective websites of the Stock Exchange at “[www.hkexnews.hk](http://www.hkexnews.hk)” and the Company at “[www.smi198.com](http://www.smi198.com)”.*

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“AGM”	the annual general meeting of the Company held on 2 June 2015 in which the Shareholders had approved, among other things, the Existing General Mandate
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bridge Partners” or “Independent Financial Adviser”	Bridge Partners Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the New General Mandate
“Bye-laws”	the bye-laws of the Company, and “Bye-law” shall mean a bye-law of the Bye-laws
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	SMI Holdings Group Limited, a company incorporated under the laws of Bermuda and whose Shares are listed on the Stock Exchange (stock code: 198)
“Director(s)”	director(s) (including the independent non-executive directors) of the Company
“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 2 June 2015
“Group”	the Company and its subsidiaries, from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee of the Company consisting Mr. PANG Hong, Mr. LI Fusheng and Mr. KAM Chi Sing, who are independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the proposed grant of the New General Mandate
“Independent Shareholder(s)”	any Shareholder(s) other than controlling shareholders of the Company and their associates or, where there are no controlling shareholder of the Company, any Shareholder(s) other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	14 December 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. QIN Hui”	QIN Hui (覃輝), a PRC resident and the controlling shareholder of the Company
“PRC”	the People’s Republic of China but for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“New General Mandate”	the general mandate proposed to be granted to the Directors at the SGM to allot, issue and deal with additional Shares not exceeding 20% of the issued share capital of the Company on the date of passing the relevant ordinary resolution
“Notice of the SGM”	the notice convening the SGM, as set out on pages 32 to 35 of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Shareholders to be held and convened on Wednesday, 6 January 2016 to consider and, if thought fit, to approve, among other things, the proposed grant of the New General Mandate
“Shares(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“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 which is wholly-owned by Mr. QIN Hui
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“2015 Interim Report”	the report of the Company dated 28 August 2015 in relation to the interim results for the six months ended 30 June 2015
“2015 Interim Result Announcement”	the announcement of the Company dated 28 August 2015 in relation to the interim results for the six months ended 30 June 2015
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. CHENG Chi Chung  
Mr. YANG Rongbing  
Mr. ZHOU Lin

*Non-executive Directors:*

Mr. ZHANG Yongdong  
Mr. LI Xuan

*Independent non-executive Directors:*

Mr. PANG Hong  
Mr. LI Fusheng  
Mr. KAM Chi Sing

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Suite 6701-2 & 13  
The Center  
99 Queen's Road Central  
Central, Hong Kong

17 December 2015

*To the Shareholders*

Dear Sirs or Madams,

**PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE  
TO ISSUE AND ALLOT SHARES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to:

- (a) provide the Shareholders with further information regarding the proposed grant of the New General Mandate;
- (b) set out the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed grant of the New General Mandate;

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## LETTER FROM THE BOARD

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- (c) set out the opinion of Bridge Partners to the Independent Board Committee and the Independent Shareholders regarding the proposed grant of the New General Mandate; and
- (d) give the Shareholders the Notice of the SGM for the Independent Shareholders to consider and, if thought fit, to approve the proposed grant of the New General Mandate.

### EXISTING GENERAL MANDATE

At the AGM, an ordinary resolution was passed by the Shareholders to approve, among other things, the Existing General Mandate. As at the date of passing such resolutions, there was a total of 11,355,958,725 Shares in issue and the Directors were authorised to issue and allot 20% of the then issued Shares, being 2,271,191,745 Shares under the Existing General Mandate.

Upon (i) the issue and allotment of 600,000,000 Shares pursuant to the subscription agreements dated 10 June 2015 entered into between the Company and Vitel Group Limited (as the 1st subscriber), Baidu (Hong Kong) Limited (as the 2nd subscriber) and 天安財產保險股份有限公司 (Tianan Property Insurance Company Limited) (as the 3rd subscriber); (ii) the completion of the placing of 600,000,000 Shares on 8 July 2015 to not less than six placees pursuant to the placing agreement dated 10 June 2015 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited; (iii) the issue of convertibles bonds in the principal amount of HK\$300,000,000 convertible into up to 389,610,389 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the subscription agreement dated 28 October 2015 entered into between the Company and Cheer Hope Holdings Limited; (iv) the issue of convertibles bonds in the principal amount of HK\$275,000,000 convertible into up to 357,142,857 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the subscription agreement dated 3 November 2015 and the supplemental agreement dated 12 November 2015 entered into between the Company and Admire Idea Limited; and (v) the issue of convertible bonds in the aggregate principal amount of HK\$224,000,000 convertible into up to 290,909,089 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the two subscription agreements both dated 16 November 2015 entered into between the Company and Haitong International Securities Company Limited and Giant Profit Enterprises Limited respectively, a total of 2,237,662,335 Shares, representing approximately 98.52% of the total number of new Shares that could be issued by the Company under the Existing General Mandate, had been utilised during the period from the date of the Existing General Mandate and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not made any refreshment of the Existing General Mandate since the AGM.

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## LETTER FROM THE BOARD

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### PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE AND ALLOT SHARES

In order to maintain the flexibility for the Company to raise further funds through the issue of new Shares for its future business development and expansion, the Board proposes to seek refreshment of the Existing General Mandate for the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing such resolutions.

As at the Latest Practicable Date, the Company had an aggregate of 13,507,427,488 Shares in issue. Subject to the passing of the ordinary resolutions for the approval of the proposed grant of the New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company up to the date of the SGM, the Company would be allowed under the New General Mandate to issue and allot up to 2,701,485,497 Shares, being 20% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had (i) convertible notes with an outstanding principal amount of HK\$10,250,000 convertible into not more than 10,250,000 Shares on the basis of a conversion price of HK\$1.00 per conversion Share (subject to adjustment); (ii) convertible bonds with an outstanding principal amount of HK\$20,000,000 convertible into not more than 58,823,529 Shares on the basis of a conversion price of HK\$0.34 per conversion Share (subject to adjustment); (iii) convertible bonds with an outstanding principal amount of US\$2,527,911.75 (equivalent to HK\$19,592,580) convertible into up to 57,625,235 Shares on the basis of a conversion price of HK\$0.34 per conversion Share (subject to adjustment); (iv) convertible bonds with an outstanding principal amount of HK\$300,000,000 convertible into up to 389,610,389 Shares on the basis of a conversion price of HK\$0.77 per conversion Share; (v) convertible bonds with an outstanding principal amount of HK\$275,000,000 convertible into up to 357,142,857 Shares on the basis of a conversion price of HK\$0.77 per conversion Share; and (vi) convertible bonds with an outstanding aggregate principal amount of HK\$224,000,000 convertible into up to 290,909,089 Shares on the basis of a conversion price of HK\$0.77 per conversion Share. Save as disclosed above, there were no other outstanding derivatives, options, warrants, convertible rights and other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.



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## LETTER FROM THE BOARD

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The New General Mandate will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any other applicable law of Bermuda to be held; or
- (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given by this proposed resolution to the Directors.

### REASONS FOR THE GRANT OF THE NEW GENERAL MANDATE

As explained in the paragraph headed “Existing General Mandate” above, a total of 2,237,662,335 Shares, representing approximately 98.52% of the total number of new Shares that could be issued by the Company under the Existing General Mandate, had been utilised during the period from the date of AGM and up to the Latest Practicable Date.

The principal activities of the Group include (i) movie theatre operation; and (ii) expansion of new complementary business on online shopping and in-theatre counter sales and advertising and promotion business in the PRC.

According to the 2015 Interim Result Announcement, the Directors considered that the Chinese film industry had entered a golden period of development and the Group intended to continue to develop the currently available business and take the advantage of the powerful network nationwide to exploit new business and expand its movie theatre operation in order to capture opportune especially in the second and third tier cities in the PRC.

The Group expected to increase the number of movie theaters from 130 movie theaters as at 30 June 2015 to 200 movie theaters nationwide in the PRC by the end of the first quarter of 2016 and the Group would continue to extend its development in movie theaters in the second and third tier cities in the PRC with tremendous development potential. As at the Latest Practicable Date, the Group owned 180 movie theaters in the PRC and it is expected that approximately HK\$600 million will be required as capital requirement for establishing the remaining 20 movie theaters. In addition, the Group has stepped up its resources to actively promote the development of non-box-office businesses, including Xingmeihui’s e-commerce and online retail platform as well as the Group’s advertising and promotion business in order to broaden the revenue stream of the Group by leveraging on the nationwide chain theater network of the Group.

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## LETTER FROM THE BOARD

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In view of the above, the Directors consider that funding requirement or appropriate investment opportunities may arise at any time and such funding or investment decisions are required or have to be made within a short period of time. Accordingly, the Directors consider that the proposed grant of the New General Mandate will provide the Group with flexibility of issuing new Shares by way of placement of Shares to raise capital within a short period of time. As such, the Directors are of the view that equity financing exercises through the issue of new Shares should be a suitable method to raise fund, without increasing the financial burden of the Group to satisfy any future acquisition in the event that the Group identifies any suitable investment opportunities that may require larger amount of investment cost and capital commitment. As at the Latest Practicable Date, the Group has not yet formulated any concrete plan for raising capital by issuing new Shares.

The Directors consider that it is important to maintain its financial/fund raising flexibility for the continuing growth and development of the Group. As disclosed in the paragraph headed “Fund raising activities in the past twelve months” below, as at the Latest Practicable Date, under the Existing General Mandate, (i) approximately HK\$785.1 million had been used in construction of movie theatre premises; (ii) approximately HK\$84 million had been used for satisfying the general working capital requirements of the Group; (iii) approximately HK\$80 million had been used in the investment in held-for trading equity securities; (iv) approximately HK\$61 million had been used in repayment of loans; and (v) approximately HK\$42 million had been used for dividend payment which contributed to the Group’s business growth and strengthened the financial position of the Group. As disclosed in the 2015 Interim Report, the Group had transitioned from net current liabilities of approximately HK\$355.49 million as at 31 December 2014 to net current assets of approximately HK\$389.65 million as at 30 June 2015.

In addition, as disclosed in the paragraph headed “Fund raising activities in the past twelve months” below, while approximately HK\$632.6 million of the net proceeds from the issuance of convertible bonds in an aggregate principal amount of approximately HK\$797.7 million pursuant to the subscription agreements and supplemental subscription agreement entered into between the Company and various subscribers on 28 October 2015, 3 November 2015, 12 November 2015 and 16 November 2015 had not been utilised and had been deposited in bank as at the Latest Practicable Date, the unutilised proceeds are intended for the expansion and working capital requirement of the Group’s cinema network by establishing the remaining 20 cinema theaters by the end of the first quarter of 2016. Notwithstanding that the Company had no present plans to utilise the New General Mandate and no possible acquisitions or investment opportunities have been proposed or committed by the Group, given that (i) the unutilised proceeds were earmarked for the Group’s capital expenditures; (ii) maintaining financial flexibility of the Group is conducive to its future business development and investment; (iii) the refreshment of the Existing General Mandate will provide an alternative for the Company to raise funds under the New General Mandate and will provide more flexibility and options of financing to the Group for future investments and business development as and when any opportunity arises; (iv) the New General Mandate will reduce the uncertainties

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## LETTER FROM THE BOARD

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that specific mandate may not be obtained in a timely manner; and (v) the New General Mandate would strengthen the capital base and financial position of the Company upon utilisation of the New General Mandate, the Directors considered that the proposed grant of the New General Mandate is justifiable and in the interests of the Company and the Shareholders as a whole despite the proceeds from the issuance of convertible bonds pursuant to the subscription agreements and supplemental subscription agreement on 28 October 2015, 3 November 2015, 12 November 2015 and 16 November 2015 had not been utilised as at the Latest Practicable Date.

Apart from equity financing, the Group will also consider other financing alternatives such as debt financing and bank borrowings before making investment decision. However, the Group will consider the cost and other terms of the funding to decide the means of financing in order to maximise the benefit to the Shareholders. Furthermore, these alternatives may be subject to lengthy due diligence and negotiations. The Directors would exercise due and careful consideration when choosing the best method of financing for the Group.

Having considered the above, the Company intends to seek approval of the Independent Shareholders at the SGM to grant the New General Mandate to the Directors.

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the fund raising activities of the Company in the part twelve months prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
11 December 2014	Issue of convertible bonds	HK\$77.0 million	General working capital requirements	(i) approximately HK\$31.2 million had been used in the repayment of loans; (ii) approximately HK\$25.7 million had been used in the construction of cinema premises; (iii) approximately HK\$15.6 million had been used in the investment in held-for-trading equity securities; and (iv) approximately HK\$4.5 million had been used for satisfying the general working capital requirements of the Group

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## LETTER FROM THE BOARD

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Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
12 March 2015	Subscription of new shares	HK\$38.6 million	General working capital requirements	<ul style="list-style-type: none"> <li>(i) approximately HK\$20 million had been used in the investment in held-for-trading equity securities;</li> <li>(ii) approximately HK\$15.6 million had been used in the construction of cinema premises;</li> <li>(iii) approximately HK\$2 million had been used for loan to an associate; and</li> <li>(iv) approximately HK\$1 million had been used in the repayment of loans</li> </ul>
30 March 2015	Issue of convertible bonds	HK\$92.8 million	Capital expenditure and general working capital requirements	<ul style="list-style-type: none"> <li>(i) approximately HK\$50 million had been used in the repayment of loans;</li> <li>(ii) approximately HK\$32.8 million had been used in the construction of cinema premises; and</li> <li>(iii) approximately HK\$10 million had been used for loan to an associate</li> </ul>
10 June 2015	Subscription and placing of new shares	HK\$887.0 million	Capital expenditure	<ul style="list-style-type: none"> <li>(i) approximately HK\$620 million had been used in the construction of cinema premises;</li> <li>(ii) approximately HK\$84 million had been used for satisfying the general working capital requirements of the Group;</li> <li>(iii) approximately HK\$80 million had been used in the investment in held-for-trading equity securities;</li> <li>(iv) approximately HK\$61 million had been used in the repayment of loans; and</li> <li>(v) approximately HK\$42 million had been used for dividend payment</li> </ul>

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## LETTER FROM THE BOARD

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Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
28 October 2015	Issue of convertible bonds	HK\$299.60 million	Capital expenditure	(i) approximately HK\$165.1 million had been used in the construction of cinema premises; and  (ii) the remaining net proceeds of approximately HK\$134.5 million will be used for expansion and working capital requirement of the Group's cinema network
3 November 2015	Issue of convertible bonds	HK\$274.60 million	Capital expenditure	Unutilised. The net proceeds will be used for expansion and working capital requirement of the Group's cinema network
16 November 2015	Issue of convertible bonds	HK\$223.50 million	Capital expenditure	Unutilised. The net proceeds will be used for expansion and working capital requirement of the Group's cinema network

Save as disclosed above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### POTENTIAL DILUTION TO THE SHAREHOLDING OF THE PUBLIC SHAREHOLDERS

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purposes only, upon full utilisation of the New General Mandate (assuming no further Share is issued or repurchased by the Company):

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming no further Share is issued or repurchased by the Company)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. QIN Hui	7,335,289,184	54.31	7,335,289,184	45.26
Strategic Media ( <i>Note 1</i> )	6,429,143	0.05	6,429,143	0.04
Mr. YANG Rongbing ( <i>Note 2</i> )	1,076,000	0.01	1,076,000	0.01
Public Shareholders	6,164,633,161	45.64	6,164,633,161	38.03
Shares to be issued under the New General Mandate	–	–	2,701,485,497	16.67
Total	<u>13,507,427,488</u>	<u>100.00</u>	<u>16,208,912,985</u>	<u>100.00</u>

*Notes:*

- Mr. QIN Hui owns the entire interest in Strategic Media and is accordingly deemed to be interested in 6,429,143 Shares held by Strategic Media.
- Mr. YANG Rongbing is an executive Director.

Assuming that (i) the grant of the New General Mandate is approved at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilisation of the New General Mandate, the aggregate shareholding of the existing public Shareholders will be diluted from approximately 45.64% to approximately 38.03%.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As the proposed grant of the New General Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate will be subject to the Independent Shareholders' approval by way of ordinary resolutions at the SGM at which any controlling shareholder of the Company and their associates, or where there are no controlling shareholder of the Company, all Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions approving the grant of the New General Mandate.

As at the Latest Practicable Date, Mr. QIN Hui was the controlling shareholder of the Company personally holding 7,335,289,184 Shares, representing approximately 54.31% of the existing share capital of the Company. Accordingly, Mr. QIN Hui, together with his respective associates (including but not limited to Strategic Media which held 6,429,143 Shares as at the Latest Practicable Date) are required to abstain from voting in favour of the resolutions approving the proposed grant of New General Mandate.

### SGM

A SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass the ordinary resolutions to refresh the Existing General Mandate. A notice convening the SGM to be held at Joint Professional Centre, Unit 1, G/F., The Center, 99 Queen's Road Central, Hong Kong, on Wednesday, 6 January 2016 at 11:00 a.m., is set out on pages 32 to 35 of this circular.

A form of proxy for use by the Independent Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event, not later than 48 hours before the time appointed for holding the SGM. Such form of proxy for use at the SGM is also published on the respective websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.smi198.com". Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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## LETTER FROM THE BOARD

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### VOTING BY POLL

In compliance with Rule 13.39(4) of the Listing Rules, save for resolutions which relate purely to procedural or administrative matters to be voted on by a show of hands, voting on the resolutions to be proposed at the SGM shall be decided by way of poll.

Bye-law 66 of the Bye-laws provides that on a poll, every member present in person or by proxy or in the case of a member being a corporation, by its duly authorised representative, shall have one vote for every Share of which he/she/it is the holder.

An explanation of the detailed procedures of conducting a poll will be provided to the Independent Shareholders at the SGM. Tricor Progressive Limited, the Hong Kong branch share registrar of the Company, will serve as the scrutineers for the vote-taking. The Company will publish an announcement on the poll results on the respective websites of the Company at “www.smi198.com” and the Stock Exchange at “www.hkexnews.hk” shortly after the conclusion of the SGM pursuant to Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders on the proposed grant of the New General Mandate; and (ii) the letter of advice from Bridge Partners as set out on pages 18 to 31 of this circular which contains, amongst other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the New General Mandate and the principal factors and reasons considered by it in concluding its advice.

The Board has established the Independent Board Committee comprising all independent non-executive Directors to consider and if appropriate, make a recommendation to the Independent Shareholders (i) as to whether the proposed grant of the New General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations of an Independent Financial Adviser. The Company has appointed Bridge Partners Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.



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## LETTER FROM THE BOARD

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Having considered the factors mentioned above and the advice of Bridge Partners, the Directors (including the independent non-executive Directors) are of the view that the proposed grant of the New General Mandate is fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of the Shareholders and the Company as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the proposed grant of the New General Mandate.

### RESPONSIBILITY STATEMENT

This circular, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

Yours faithfully,  
For and on behalf of the Board of  
**SMI HOLDINGS GROUP LIMITED**  
**YANG Rongbing**  
*Executive Director*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

*The Independent Board Committee:*

Mr. PANG Hong  
Mr. LI Fusheng  
Mr. KAM Chi Sing

*Registered office:*

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Bermuda

*Head office and principal place of  
business in Hong Kong:*

Suite 6701-2 & 13  
The Center  
99 Queen's Road Central  
Central, Hong Kong

17 December 2015

*To the Independent Shareholders*

Dear Sirs or Madams,

**PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE  
TO ISSUE AND ALLOT SHARES**

We refer to the circular of the Company to the Shareholders dated 17 December 2015 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as given to them in the section headed “Definitions” of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board as members of the Independent Board Committee to consider the proposed grant of the New General Mandate and advise you on whether the proposed grant of the New General Mandate is fair and reasonable and whether it is in the interest of the Company and the Shareholders as a whole. Bridge Partners has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in respect of the proposed grant of the New General Mandate.

We wish to draw your attention to the letter of advice from Bridge Partners, as set out on pages 18 to 31 of the Circular and the letter from the Board as set out on pages 4 to 15 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of Bridge Partners as stated in its letter of advice, we consider that the proposed grant of the New General Mandate is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolutions to approve the proposed grant of the New General Mandate to be proposed at the SGM.

Yours faithfully,

The Independent Board Committee

**SMI Holdings Group Limited**

**PANG Hong**

*Independent non-executive*

*Director*

**LI Fusheng**

*Independent non-executive*

*Director*

**KAM Chi Sing**

*Independent non-executive*

*Director*

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## LETTER FROM BRIDGE PARTNERS

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*The following is the full text of the letter of advice from Bridge Partners Capital Limited to the Independent Board Committee and the Independent Shareholders relating to the refreshment of the Existing General Mandate which has been prepared for the purpose of inclusion in this circular.*



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### BRIDGE PARTNERS CAPITAL LIMITED

Room 3303, 33/F, West Tower, Shun Tak Centre,  
200 Connaught Road Central, Hong Kong

17 December 2015

*To the Independent Board Committee and the Independent Shareholders  
of SMI Holdings Group Limited*

Dear Sir or Madam,

### **PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of the Existing General Mandate, details of which are set out in the letter from the Board (“**Letter from the Board**”) contained in the circular of the Company dated 17 December 2015 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, refreshment of the Existing General Mandate will be subject to the Independent Shareholders’ approval by way of an ordinary resolution at the SGM at which any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) regarding the refreshment of the Existing General Mandate to be proposed at the SGM.

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## LETTER FROM BRIDGE PARTNERS

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As at the Latest Practicable Date, Mr. QIN Hui was the controlling Shareholder personally holding 7,335,289,184 Shares, representing approximately 54.31% of the entire issued share capital of the Company. Accordingly, Mr. QIN Hui, together with his associates (including but not limited to Strategic Media which held 6,429,143 Shares as at the Latest Practicable Date, representing approximately 0.05% of the entire issued share capital of the Company), are required to abstain from voting in favour of the resolution(s) regarding the refreshment of the Existing General Mandate at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. PANG Hong, Mr. LI Fusheng and Mr. KAM Chi Sing, has been established to advise the Independent Shareholders as to whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. We, Bridge Partners Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules. We have not acted as the independent financial adviser to the Group's other transactions during the last two years.

### **BASIC OF OUR OPINION**

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular, the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”), the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”) and the information and representations as provided to us by the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiries and careful consideration.

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## LETTER FROM BRIDGE PARTNERS

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, the currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the proposed refreshment of the Existing General Mandate, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed refreshment of the Existing General Mandate, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulation our opinion and advice in respect of the proposed refreshment of the Existing General Mandate, we have taken into consideration the following principal factors and reasons:

**(i) Background of and reasons for the proposed refreshment of the Existing General Mandate**

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

At the annual general meeting of the Company held on 2 June 2015, the Shareholders approved, among other things, an ordinary resolution for granting to the Directors the Existing General Mandate to allot and issue not more than 2,271,191,745 Shares, being 20% of the entire issued share capital of the Company of 11,355,958,725 Shares as at the date of passing the resolution.

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## LETTER FROM BRIDGE PARTNERS

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As set out in the Letter from the Board, during the period from the grant of the Existing General Mandate to the Latest Practicable Date, the Existing General Mandate had been utilised as to (i) the issue and allotment of 600,000,000 Shares pursuant to the subscription agreements dated 10 June 2015 entered into between the Company and Vitel Group Limited (as the 1st subscriber), Baidu (Hong Kong) Limited (as the 2nd subscriber) and 天安財產保險股份有限公司 (Tianan Property Insurance Company Limited) (as the 3rd subscriber); and (ii) the completion of the placing of 600,000,000 Shares on 8 July 2015 to not less than six places pursuant to the placing agreement dated 10 June 2015 entered into between the Company and Guotai Junan Securities (Hong Kong) Limited; (iii) the issue of convertible bonds in the principal amount of HK\$300.00 million convertible into up to 389,610,389 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the subscription agreement dated 28 October 2015 entered into between the Company and Cheer Hope Holdings Limited (“**Convertible Bonds I**”); (iv) the issue of convertibles bonds in the principal amount of HK\$275.00 million convertible into up to 357,142,857 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the subscription agreement dated 3 November 2015 and supplemental agreement dated 12 November 2015 entered into between the Company and Admire Idea Limited (“**Convertible Bonds II**”); and (v) the issue of convertible bonds in the aggregate principal amount of HK\$224.00 million convertible into up to 290,909,089 Shares on the basis of a conversion price of HK\$0.77 per conversion Share (subject to adjustment) pursuant to the two subscription agreements both dated 16 November 2015 entered into between the Company and Haitong International Securities Company Limited and Giant Profit Enterprises Limited respectively (“**Convertible Bonds III**”). Accordingly, a total of 2,237,662,335 Shares, representing approximately 98.52% of the total number of new Shares that could be issued by the Company under the Existing General Mandate, have been utilised and the Directors would only allow to issue and allot 33,529,410 new Shares, representing approximately 1.48% of the Existing General Mandate from the Latest Practicable Date to the date of the next annual general meeting of the Company if the Existing General Mandate is not refreshed.

As advised by the management of the Company, the next annual general meeting is expected to be held in about second quarter of 2016, which is approximately seven (7) months away from the Latest Practicable Date. In order to maintain the flexibility for the Company to raise further funds through the issue of new Shares for its future business development and expansion and/or pursuing investment opportunities, the Board proposes to seek refreshment of the Existing General Mandate for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolution by the Independent Shareholders.

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## LETTER FROM BRIDGE PARTNERS

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As at the Latest Practicable Date, the Company had an aggregate of 13,507,427,488 Shares in issue. Subject to the passing of the ordinary resolution(s) for the approval of the grant of the General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company up to the date of the SGM, the Company would be allowed under the New General Mandate to issued and allot up to 2,701,485,497 Shares, being 20% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had (i) convertible notes with an outstanding principal amount of HK\$10,250,000 convertible into not more than 10,250,000 Shares on the basis of a conversion price of HK\$1.00 per conversion Share (subject to adjustment); (ii) convertible bonds with an outstanding principal amount of HK\$20,000,000 convertible into not more than 58,823,529 Shares on the basis of a conversion price of HK\$0.34 per conversion Share (subject to adjustment); (iii) convertible bonds with an outstanding principal amount of US\$2,527,911.75 (equivalent to HK\$19,592,580) convertible into not more than 57,625,235 Shares on the basis of a conversion price of HK\$0.34 per conversion Share (subject to adjustment) and (iv) the Convertible Bonds I, II and III. Save as disclosed above, there were no other outstanding derivatives, options, warrants, convertible rights and other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

As disclosed in the 2015 Interim Report, the Group is focused on developing its core business (the movie theater business), at the same time increasing the investment in the expansion of non-box-office businesses, such as Xingmeihui, the in-theater counter sales and online shopping, and the Group's advertising and promotion businesses, etc. For the six months ended 30 June 2015, the Group's unaudited turnover increased 1.62 times to approximately HK\$1,419.78 million, which was mainly attributable to the prosperous development of the movie market in the PRC and the increase in market share as advised by the management of the Company. The Group's unaudited net profit was approximately HK\$188.65 million, increased by 55.79% as compared with approximately HK\$121.09 million for the corresponding period last year.

As at 30 June 2015, the Group had unaudited cash and bank balances of approximately HK\$748.85 million (including restricted bank balances of approximately HK\$24.97 million) and unaudited bank borrowings, bonds and convertible notes of approximately HK\$946.34 million, of which approximately HK\$311.44 million were due within one year. The Group's business operation was mainly financed by the cash generated from operating activities, bank borrowings and other equity and debt financings.



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## LETTER FROM BRIDGE PARTNERS

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As disclosed in the Letter from the Board, the Directors considered that the Chinese film industry had entered into a golden period of development. We understand from the management of the Company that investments in movie theater operation and its complementary business have been a key growing and expansion strategy of the Group and it is the Group's intention to continue to invest in the construction of cinema premises and expand its movie theater operation. As disclosed in the 2015 Interim Report, the Group expected to increase the number of movie theaters from 130 movie theaters as at 30 June 2015 to 200 movie theaters nationwide in the PRC by the end of 2015 and the Group would continue to extend its development in movie theaters in the second and third tier cities in the PRC with tremendous development potential.

In addition, as advised by the management of the Company, the Group has stepped up its resources to actively promote the development of the non-box-office businesses, including Xingmeihui's e-commerce and online retail platform as well as the Group's advertising and promotion business in order to broaden the revenue stream of the Group by leveraging on the nationwide chain theater network of the Group.

In order to finance the continuing growth momentum, the Directors consider that affluent working capital resources is conducive to the Group's success of developing the movie theater business as well as other complementary business. Additional capital can help fuel the Group's business developments and/or other potential investment opportunities that may be identified by the Company in the future and such funding requirement or appropriate investment opportunities may arise at any time and such funding or investment decisions may be required or have to be made within a short period of time. It also gives the Group liquidity in repaying its total borrowings (in particular, those repayable in next twelve months given approximately HK\$311.44 million of the Group's bank borrowings, bonds and convertible notes were due within one year as disclosed in the 2015 Interim Report). We note that the Company had applied net proceeds of approximately HK\$143.2 million from the previous fund raisings in the past twelve months to repay the Group's borrowings. As discussed with the management of the Company, we understand that the Company has no present plan to utilise the New General Mandate for repayment of the Group's borrowings.

The Board believes that equity financing (i) will be an important avenue of financial resources to the Group since it does not create any interest paying obligations on the Group and requires no collaterals or pledge of securities; and (ii) it will enable the Company to respond to the market promptly for fund raising exercises (within 20% of the Company's issued share capital) pursuant to a general mandate. The New General Mandate will also give the Company an option to finance any acquisition/investments by way of issuing consideration shares/convertible securities, in particular, in the case of some smaller acquisitions which can proceed without Shareholders' approval.

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## LETTER FROM BRIDGE PARTNERS

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Given that the Existing General Mandate has been utilised as to 98.52%, it is not possible for the Company to proceed with any equity fund raising exercise and/or to issue new Shares as payment consideration in any possible acquisition transaction in an expedient manner without first seeking separate approval from the Shareholders and there would be no certainty as to whether the requisite Shareholders' approval could be obtained in the timely manner.

In view of the time involved for convening shareholders' meeting, the inability of the Company to issue new Shares under a general mandate may impair the flexibility of the Company to implement its expansion plan and/or capture any business/investment opportunities as and when they arise. We consider that having flexibility for the Group to explore more financing options is in the interests of the Group. As at the Latest Practicable Date, the Company does not have a concluded and concrete schedule on when the New General Mandate will be utilised and presently has no concluded and concrete intention on fund raising for specific purposes. If the Company proposes to issue any new Shares utilising the New General Mandate, it will make further announcement(s) as and when required. The Company will also have to comply with the Listing Rules if it decides to proceed with any of the new business development and/or potential investment opportunities to be identified.

As set out in the preceding paragraphs, investments in movie theaters in the second and third tier cities in the PRC have been a key growing and expansion strategy of the Group. As disclosed in the 2015 Interim Report, the Group's additions to property, plant and equipment amounting to approximately HK\$423.53 million and had 130 movie theaters with about 1,000 screens in major cities across the PRC as at 30 June 2015 as compared to 90 theaters with about 700 screens as at 31 December 2014 and the capital commitments of the Group in respect of the construction of cinema premises contracted but not provided for as at 30 June 2015 was approximately HK\$942.03 million as disclosed in the 2015 Interim Report. According to the 2015 Interim Report, the Group targeted to have 200 movie theatres nationwide in the PRC by the end of 2015. As discussed with management of the Company, the numbers of the Group's movie theaters in the PRC increased from 130 movie theaters as at 30 June 2015 to 180 movie theaters as at the Latest Practicable Date and it is expected that approximately HK\$600 million will be required as capital requirements for the remaining 20 movie theatres by the end of the first quarter of 2016.

We note that the Group has made use of both equity financing and debt financing to fund the investments and capital expenditures for the Group's construction of cinema premises, the general working capital of its business operations as well as the repayment of the bank and other borrowings in the last year, and thus the Company has utilised its Existing General Mandate as to 98.52%. As disclosed in the section headed "Equity fund raising activities in the past twelve months" in this letter, we note that the aggregate unutilised net proceeds of approximately HK\$632.6 million from the Convertible Bonds I, II and III will be applied for the expansion and working capital of the cinema network in the PRC.

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## LETTER FROM BRIDGE PARTNERS

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The Directors consider that the flexibility in financing complements the Group's business strategy of the expansion of cinema network in the PRC, which contributes to the business growth by enhancing the market share of the Group in the movie theatre business and improves the Group's overall profitability and financial position. As disclosed in the 2015 Interim Report, we note that the Group's profit was increased by approximately 55.79% to approximately HK\$188.65 million for the six months ended 30 June 2015 and had turnaround from net current liabilities of approximately HK\$355.49 million as at 31 December 2014 to net current assets of approximately HK\$389.65 million as at 30 June 2015.

In addition, although the Existing General Mandate have been utilised as at 98.52%, the Existing General Mandate has been approved by the Shareholders and details of every issue of securities (including the intended use of proceeds) pursuant to the Existing General Mandate have been announced by the Company in accordance with the Listing Rules. The Company has been acting in accordance with, and within the parameters of, the requirements of the Listing Rules with regard to the authorisation of the Existing General Mandate by the Shareholders as well as its utilisation of such mandate.

Further, as at the Latest Practicable Date, the New General Mandate had not been earmarked, and therefore may or may not be used, for any future possible business and/or investment opportunities. Even if the New General Mandate is utilised, as advised by the Directors, they will exercise due and careful consideration when considering and deciding the sources and the methods of funding for such business and investments opportunities. Having considered the above, we concur with the Directors' view that the Shareholders have been provided with opportunities to express their views and make informed decision at the general meeting in considering and approving the Existing General Mandate and they will also be given the opportunity to make informed decision as to how to vote at the SGM in respect of the New General Mandate while the Directors will empower themselves to issue new Shares under the refreshed limit speedily as and when necessary, and without seeking further approval from the Shareholders for every single equity financing transaction.

Potential business investment opportunities may arise at any time and it is crucial to provide the Group with the flexibility to have immediate access to cash resources and/or payment means for appropriate business investment opportunities. Taking into account the recent volatility of the market, the Company may fail to seize and capitalise on potential investment opportunities if it has to go through a lengthy process to obtain Shareholders' approval for every single equity financing and/or to wait until the next annual general meeting for renewal of the general mandate. We are of the view that the New General Mandate allows the Company to respond in a timely and effective manner to changes in the market and to take advantage of any appropriate investment opportunity efficiently for the benefit of the Company and the Shareholders as a whole.

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## LETTER FROM BRIDGE PARTNERS

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We note that the net proceeds of approximately HK\$632.6 million out of the total net proceeds from the issuance of the Convertible Bonds I, II and III remained unutilised as at the Latest Practicable Date. We understand from the management of the Company that the unutilised proceeds are intended for the expansion and working capital of the Group's cinema network in the PRC by increasing 20 movie theatres by the end of the first quarter of 2016 and will be used as intended. Notwithstanding that the Company had no present plans to utilise the New General Mandate and no possible acquisitions or investment opportunities have been proposed or committed by the Group, given that (i) the unutilised proceeds of approximately HK\$632.6 million were earmarked for the expansion and working capital of Group's the cinema network in the PRC; (ii) maintaining financial flexibility of the Group is conducive to its future business development and investment; (iii) the capital requirement for the Group's business development and/or investment could be intensive in view of the Group's business strategy as discussed in this letter and could possibly exert pressure on the Group's financial and liquidity position in view of the debt position of the Group as discussed in the section headed "Other financing alternatives" in this letter; (iv) the refreshment of the Existing General Mandate will provide an alternative for the Company to raise funds under the New General Mandate and will provide more flexibility and options of financing to the Group for future investments and business development as and when any opportunity arises; and (v) the New General Mandate will reduce the uncertainties that specific mandate may not be obtained in a timely manner, we considered that the grant of the New General Mandate is justifiable and in the interests of the Company and the Shareholders as a whole despite the proceeds of approximately HK\$632.6 million from the issuance of the Convertible Bonds I, II and III have not been utilised as at the Latest Practicable Date.

Having considered that (a) the Group is now in the stage of actively expanding its business portfolio in the movie theatre and related operations; (b) the Existing General Mandate has been utilised as to 98.52%; (c) the next annual general meeting of the Company is expected to be held in about second quarter of 2016, which is around seven (7) months away from the Latest Practicable Date; and (d) the granting of the New General Mandate would (i) provide the Group with financial flexibility to raise additional funds to capture any potential business development and investment opportunities as and when they arise; (ii) provide the Directors with greater autonomy and flexibility to respond to the competitive and rapidly changing capital market in a timely manner; (iii) offer the Company and the Group an opportunity to raise fund by equity financing, which is important to the growth and development of the Group given the nature of equity financing is non-interest bearing and requires no collaterals or pledge of securities; (iv) strengthen the capital base and financial position of the Company; and (v) improve the Group's liquidity in repaying its borrowings upon utilisation of the New General Mandate given the Group's current cash level of approximately HK\$632.6 million as advised by the management of the Company, which is intended to finance the expansion and working capital of the Group's cinema network by increasing an additional 20 movie theatres by the end of the first quarter of 2016, we concur with the Directors' view that the proposed grant of the New General Mandate is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM BRIDGE PARTNERS

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### (ii) Equity fund raising activities in the past twelve months

Set out below are the fund raising activities of the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
11 December 2014	Issue of convertible bonds	HK\$77.0 million	General working capital requirements	<ul style="list-style-type: none"> <li>(i) approximately HK\$31.2 million had been used in the repayment of loans;</li> <li>(ii) approximately HK\$25.7 million had been used in the construction of cinema premises;</li> <li>(iii) approximately HK\$15.6 million had been used in the investment in held-for-trading equity securities; and</li> <li>(iv) approximately HK\$4.5 million had been used for satisfying the general working capital requirements of the Group</li> </ul>
12 March 2015	Subscription of new shares	HK\$38.6 million	General working capital requirements	<ul style="list-style-type: none"> <li>(i) approximately HK\$20 million had been used in the investment in held-for-trading equity securities;</li> <li>(ii) approximately HK\$15.6 million had been used in the construction of cinema premises;</li> <li>(iii) approximately HK\$2 million had been used for loan to an associate; and</li> <li>(iv) approximately HK\$1 million had been used in the repayment of loans</li> </ul>
30 March 2015	Issue of convertible bonds	HK\$92.8 million	Capital expenditure and general working capital requirements	<ul style="list-style-type: none"> <li>(i) approximately HK\$50 million had been used in the repayment of loans;</li> <li>(ii) approximately HK\$32.8 million had been used in the construction of cinema premises; and</li> <li>(iii) approximately HK\$10 million had been used for loan to an associate</li> </ul>

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## LETTER FROM BRIDGE PARTNERS

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Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of the net proceeds
10 June 2015	Subscription and placing of new shares	HK\$887.0 million	Capital expenditure	<ul style="list-style-type: none"> <li>(i) approximately HK\$620 million had been used in the construction of cinema premises;</li> <li>(ii) approximately HK\$84 million had been used for satisfying the general working capital requirements of the Group;</li> <li>(iii) approximately HK\$80 million had been used in the investment in held-for-trading equity securities;</li> <li>(iv) approximately HK\$61 million had been used in the repayment of loans; and</li> <li>(v) approximately HK\$42 million had been used for dividend payment</li> </ul>
28 October 2015	Issue of convertible bonds	HK\$299.6 million	Capital expenditure	<ul style="list-style-type: none"> <li>(i) approximately HK\$165.1 million had been used in the construction of cinema premises; and</li> <li>(ii) the remaining net proceeds of approximately HK\$134.5 million will be used for expansion and working capital of the Group's cinema network</li> </ul>
3 November 2015	Issue of convertible bonds	HK\$274.6 million	Capital expenditure	Unutilised. The net proceeds will be used for expansion and working capital of the Group's cinema network
16 November 2015	Issue of convertible bonds	HK\$223.5 million	Capital expenditure	Unutilised. The net proceeds will be used for expansion and working capital of the Group's cinema network

Save as and except the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

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## LETTER FROM BRIDGE PARTNERS

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### (iii) Other financing alternatives

As advised by the management of the Company, apart from equity financing, the Group will also consider other financing alternatives such as debt financing and bank borrowings to fund the future business developments and investment opportunities. However, debt financing shall inevitably create interest payment obligations on the Group and it may be subject to lengthy due diligence and negotiations between the Group and the financiers. In addition, the ability of the Group to obtain bank borrowings usually depends on the profitability and financial position of the Group as well as the then prevailing market condition.

According to the 2015 Interim Report, the aggregate amount of the fair value of the bank borrowings, convertible notes and bonds was approximately HK\$946.34 million as at 30 June 2015, which represented approximately 21.82% of the total equity of the Group as at 30 June 2015. The total finance costs for the Group's bank borrowings, convertible notes and bonds of approximately HK\$57.38 million were incurred for the six months ended 30 June 2015 as disclosed in the Interim Report.

Despite the redemption of the private placement bonds in an outstanding principal amount of RMB120.00 million (equivalent to approximately HK\$145.45 million) and RMB80.00 million (equivalent to approximately HK\$96.97 million) together with the interest accrued thereon by the Company on 26 August 2014 and 28 August 2015 respectively as disclosed in the Company's announcement dated 31 August 2015 and the aggregate fair value of which was approximately HK\$99.66 million as at 30 June 2015 as disclosed in the 2015 Interim Report, we note that, as disclosed in the section headed "Equity fund raising activities in the past twelve months" in this letter, the Company issued the Convertible Bonds I, II and III in an aggregate principal amount of approximately HK\$797.7 million pursuant to the respective subscription agreements entered into between the Company and various subscribers on 28 October 2015, 3 November 2015, 12 November 2015 and 16 November 2015.

Given the current debt position of the Group, the management of the Company considers debt financing to be relatively uncertain and time-consuming as compared to equity financing.

The Directors also considered that other forms of equity fund raising such as open offer and rights issue would incur additional costs in underwriting commissions and possibly require a relatively longer time to complete, which may lead to the Group failing to finance the business development or acquisition of investment opportunities in a timely manner and hence lose such opportunities.

The Directors further advised us that they would exercise due and careful consideration when choosing the best method of financing for the Group.

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## LETTER FROM BRIDGE PARTNERS

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We consider that the proposed refreshment of the Existing General Mandate will provide the Company with flexibility to determine the appropriate financing method for future plans and obligations and/or other potential investments opportunities as and when the Company considers desirable for the benefit of the development of the Company given the Group's financial position, capital structure and cost of funding. If the New General Mandate is granted, the Company will be able to undergo equity financing for up to 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM in a timely manner without Shareholder's approval. Accordingly, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

**(iv) Potential dilution to the shareholding of the public Shareholders**

The table below set out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, upon full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company):

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate (assuming no further Shares are issued or repurchased by the Company)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Mr. QIN Hui	7,335,289,184	54.31	7,335,289,184	45.26
Strategic Media <sup>(1)</sup>	6,429,143	0.05	6,429,143	0.04
Mr. YANG Rongbing <sup>(2)</sup>	1,076,000	0.01	1,076,000	0.01
Public Shareholders	6,164,633,161	45.64	6,164,633,161	38.03
Shares to be issued under the New General Mandate	-	-	2,701,485,497	16.67
<b>Total:</b>	<b>13,507,427,488</b>	<b>100.00</b>	<b>16,208,912,985</b>	<b>100.00</b>

*Notes:*

1. Strategic Media is wholly-owned by Mr. QIN Hui.
2. Mr. YANG Rongbing is an executive Director.



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## LETTER FROM BRIDGE PARTNERS

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As illustrated in the above table, assuming that (i) the New General Mandate will be approved at the SGM; and (ii) no further Share will be issued or repurchased by the Company from the Latest Practicable Date to the date of full utilisation of the New General Mandate, the shareholding of the public Shareholders in the Company would decrease from 45.64% to 38.03 % upon full utilisation of the New General Mandate.

We understand from the management of the Company that the Company did not have any concluded and concrete intention to utilise the New General Mandate as at the Latest Practicable Date. As such, the New General Mandate merely provides an alternative way of financing should any business development and/or investment opportunity arises and there would not be any immediate dilution impact on the existing Shareholders upon the grant of the New General Mandate. Meanwhile, the Directors confirmed that they would be prudent in issuing new Shares under the New General Mandate in the future by well balancing the benefits of the potential business development and/or investment opportunities that could be brought to the Group, the need of funding and the dilution impact caused thereby on the Shareholders.

Taking into account that the refreshment of the Existing General Mandate would provide the Group with (i) the financial flexibility to raise capital by issuance and allotment of new Shares for future business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; (ii) an alternate means to raise capital; and the fact that the shareholding interests of all Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate, we are of the opinion that the potential dilution to the shareholdings of the public Shareholders is acceptable.

### RECOMMENDATION

Taking into account of the above principal factors and reasons, we consider that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole, and is fair and reasonable so far as the Company and the Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the proposed refreshment of the Existing General Mandate.

Yours faithfully,  
**Bridge Partners Capital Limited**

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## NOTICE OF THE SGM

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of SMI Holdings Group Limited (the “**Company**”) will be held at Joint Professional Centre, Unit 1, G/F., The Center, 99 Queen’s Road Central, Hong Kong on Wednesday, 6 January 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 17 December 2015 (the “**Circular**”)):-

#### ORDINARY RESOLUTIONS

**“THAT:**

- (a) the general mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with the shares in the capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options, as approved by the Shareholders at the annual general meeting held on 2 June 2015, to the extent not already exercised be and is hereby revoked (but without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares or securities convertible into such Shares or options, warrants, or similar right to subscribe for any Shares or convertible securities of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

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## NOTICE OF THE SGM

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- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;
- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of Shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible persons thereunder of Shares or rights to acquire Shares; (iii) an issue of Shares as scrip dividends pursuant to the bye-laws of the Company from time to time; or (iv) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution; and
  - (ii) (if the Directors are so authorised by a separate ordinary resolution of the Shareholders) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent of 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing such resolution),
- and the authority pursuant to paragraph (b) of this resolution shall be limited accordingly; and
- (e) for the purpose of this resolution, “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any other applicable law of Bermuda to be held; or
  - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given by this resolution to the Directors.

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## NOTICE OF THE SGM

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“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

By order of the Board of  
**SMI HOLDINGS GROUP LIMITED**  
**YANG Rongbing**  
*Executive Director*

Hong Kong, 17 December 2015

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of*

*business in Hong Kong:*  
Suite 6701-2 & 13  
The Center  
99 Queen’s Road Central  
Central, Hong Kong

*Notes:*

- (i) A Shareholder entitled to attend and vote at the SGM convened by this notice or its adjourned meeting (as the case may be) is entitled to appoint one proxy to attend and on a poll to vote on his/her/its behalf in accordance with the articles of association of the Company. A Shareholder who is the holder of two or more Shares may appoint not more than two proxies (who must be an individual or individuals) to attend and vote instead of him/her/it on the same occasion. A proxy need not be a Shareholder, but must attend the SGM in person to represent him/her/it. A form of proxy for use at the SGM is enclosed herewith. Such prescribed form of proxy for use at the SGM is also published on the websites of The Stock Exchange of Hong Kong Limited at “[www.hkexnews.hk](http://www.hkexnews.hk)” and the Company at “[www.smi198.com](http://www.smi198.com)”.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either executed under its common seal or under the hand of any officer, attorney or other person duly authorised to sign the same.

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## NOTICE OF THE SGM

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- (iii) Where there are joint holders of any Shares, any one of such joint holders may attend and vote at the SGM or its adjourned meeting (as the case may be), either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the SGM or its adjourned meeting (as the case may be) personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members in respect of such Share shall alone be entitled to vote in respect thereof.
- (iv) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's Hong Kong branch share registrar, Tricor Progressive Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the SGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid.
- (v) Completion and return of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person at the SGM or any of its adjourned meeting thereof if he/she/it so desires. If a Shareholder attends the meeting after having deposited the form of proxy, his/her/its form of proxy shall be deemed to be revoked.
- (vi) To ascertain the entitlements to attend and vote at the SGM, Shareholders must lodge the relevant transfer document(s) and share certificate(s) with the Hong Kong branch share registrar of the Company, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, 4 January 2016 for registration.
- (vii) In compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), voting on the resolutions proposed in this notice shall be decided by way of poll at the SGM.
- (viii) If a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm is in effect at any time after 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the respective websites of the Company at "www.smi198.com" and the Stock Exchange at "www.hkexnews.hk" to notify Shareholders of the date, time and place of the rescheduled SGM.

If a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the SGM and where conditions permit, the SGM will be held as scheduled. The SGM will also be held as scheduled when an amber or red rainstorm warning signal is in force.

Shareholders should decide whether or not they would attend the SGM under any bad weather condition having considered their own situations and if they do so, they are advised to exercise care and caution.
- (ix) Shareholders are advised to read the circular of the Company dated 17 December 2015 which contains information concerning the resolutions to be proposed in the SGM.