

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**華融國際金融控股有限公司**

**HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 993)**

**DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF NOTES AND CONVERTIBLE BONDS**

**THE SUBSCRIPTION AGREEMENT**

On 8 August 2016 (after trading hours), the Investor and the Issuer entered into the Subscription Agreement, pursuant to which (i) the Issuer conditionally agreed to issue, and the Investor conditionally agreed to subscribe the Notes in an aggregate principal amount of HK\$200,000,000; and (ii) the Issuer conditionally agreed to issue, and the Investor conditionally agreed to subscribe the Convertible Bonds in an aggregate principal amount of HK\$100,000,000.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Subscription, when aggregated with the Previous Subscription pursuant to Rule 14.22 of the Listing Rules, exceed(s) 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

On 8 August 2016 (after trading hours), the Investor and the Issuer entered into the Subscription Agreement, pursuant to which (i) the Issuer conditionally agreed to issue, and the Investor conditionally agreed to subscribe the Notes in an aggregate principal amount of HK\$200,000,000; and (ii) the Issuer conditionally agreed to issue, and the Investor conditionally agreed to subscribe the Convertible Bonds in an aggregate principal amount of HK\$100,000,000.

**THE SUBSCRIPTION AGREEMENT**

The principal terms of the Subscription Agreement are set out below:

Date : 8 August 2016

Issuer : The Issuer

Investor : Ever Ascend Investments Limited (永晉投資有限公司)

The Investor is a limited liability company incorporated in the British Virgin Islands. It is indirectly wholly-owned by the Company.

### **Principal terms of the Notes**

The principal terms of the Notes are summarised below:

Issuer : The Issuer

Principal amount : HK\$200,000,000

Term : A term of 12 months from the date of issue of the Notes to the date falling on the first anniversary of the date of issue of the Notes, which can, at the Noteholder's sole and absolute discretion, be extended to the date falling, on the second anniversary of the date of issue of the Notes and if that is not a Business Day, the first Business Day after.

Form : The Notes will be issued upon Completion in registered form and a Notes certificate will be issued to the Noteholder.

Interest Rate : The Notes bear interest from and including the date of issue of the Notes to the Maturity Date of the Notes at the rate of 5% per annum payable every six months from the date of issue of the Notes, in arrears. When interest is required to be calculated in respect of a period of less than the full six months, it is calculated on the actual number of days elapsed and a 365-day year.

Default Interest : 15% per annum on the outstanding principal amount of the Notes plus interest accrued.

Security : The Notes will have the benefit of the security constituted by the Guarantee.

Status : The Notes constitute direct, guaranteed, unsecured, unsubordinated and unconditional obligations of the Issuer and shall at all times rank *pari passu* without any preference or priority among themselves.

Transferability : The Notes are transferable except to connected persons or direct competitors of the Issuer.

Denomination : HK\$10,000,000

- Redemption : The redemption price payable by the Issuer to the Noteholder on the date of redemption is equal to the aggregate of (i) the outstanding principal amount on the Notes, (ii) the outstanding interest up to the date of redemption, and (iii) any other outstanding amount due but unpaid under the Notes (“**Applicable Redemption Amount of the Notes**”).
- Redemption on the Maturity Date : The Issuer will redeem all of the Notes on the Maturity Date of the Notes unless previously redeemed, purchased or cancelled at the Applicable Redemption Amount of the Notes plus an amount that would make up an aggregate internal return rate on the amount of the Notes at 10% per annum (having included the interest paid and the Arrangement Fee paid but excluding all default interest (whether accrued, paid or unpaid)) calculated from the date of issue of the Notes to (and including) the Maturity Date of the Notes. Any accrued and unpaid default interest shall be payable by the Issuer to the Noteholder in addition to the aforesaid amount at the same time.
- Noteholder’s redemption right for events of default : The Issuer must redeem all or such part of the outstanding principal amount of the Notes upon the issuance of a notice of redemption by the Noteholder after the occurrence of an event on the principal amount of the Notes at default, at the Applicable Redemption Amount of the Notes plus an amount that would make up an aggregate internal rate of return on the principal amount of the Notes at 15% per annum (having included the interest paid and the Arrangement Fee paid but excluding all default interest (whether accrued, paid or unpaid)) calculated during the period from the date of issue of the Notes up to (and including) the actual date of payment. Any accrued and unpaid default interest shall be payable by the Issuer to the Noteholder in addition to the aforesaid amount at the same time.

### **Principal terms of the Convertible Bonds**

The principal terms of the Convertible Bonds are summarised below:

- Issuer : The Issuer
- Principal Amount : HK\$100,000,000

- Number of Conversion Shares : Based on the initial Conversion Price of HK\$0.675 per Conversion Share and assuming that there will not be any change in the issued share capital of the Issuer before the exercise of the conversion rights in full (other than the issue of the Conversion Shares), upon the exercise of the conversion rights in full, 148,148,149 Conversion Shares will be issued, representing approximately 18.29% of the existing issued share capital of the Issuer and approximately 15.46% of the issued share capital as enlarged by the allotment and issue of the Conversion Shares.
- Term : A term of 12 months from the date of issue of the Convertible Bonds to the date falling on the first anniversary of the date of issue of the Convertible Bonds, which can at the Bondholder's sole and absolute discretion, be extended to the date falling on the second anniversary of the date of issue of the Convertible Bonds and if that is not a Business Day, the first Business Day after.
- Conversion Price : Each Convertible Bond carries the right to convert Shares at an initial Conversion Price of HK\$0.675 per Conversion Share, subject to share consolidation, subdivision or reclassification, capitalisation of profits or reserve, capital distributions, right issues of shares or options over shares, right issues of other securities, issues of shares and securities at less than the initial Conversion Price, modification of right of conversion, other offers to shareholders of the Issuer, and any one or more events or circumstances not previously referred to which the Issuer or the Bondholder determines that an adjustment should be made to the Conversion Prices, provided that the Conversion Price shall not in any event be lower than HK\$0.38.
- Conversion Period : The conversion rights attaching to the Convertible Bonds may be exercised at any time during the term of the Convertible Bonds.
- Security : The Convertible Bonds will have the benefit of the security constituted by the Guarantee.
- Status : The Convertible Bonds constitute direct, guaranteed, unsecured, unsubordinated and unconditional obligations of the Issuer. The Convertible Bonds will at all times rank *pari passu* without any preference among themselves.
- Form : The Convertible Bonds will be issued upon Completion in registered form.

- Interest : The Convertible Bonds bear interest from and including the date of issue of the Convertible Bonds to the Maturity Date of the Convertible Bonds at the rate of 5% per annum payable every six months from the date of issue of the Convertible Bonds. When interest is required to be calculated in respect of a period of less than the full six months, it shall be calculated on the actual number of days elapsed and a 365-day year.
- Default interest : 15% per annum on the outstanding principal amount of the Convertible Bonds plus interest accrued.
- Rights of the Conversion Shares : The Conversion Shares that are to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be credited as fully paid and will rank *pari passu* in all respects with and within the same class as the Shares in issue on the conversion date of the Convertible Bonds.
- Transferability : The Convertible Bonds are transferable except to connected persons or direct competitors of the Issuer.
- Denomination : HK\$5,000,000
- Rights of Bondholders : The redemption price payable by the Issuer to the Bondholder is equal to the aggregate of (i) the outstanding principal amount on the Convertible Bonds, (ii) the outstanding interest up to the date of redemption and (iii) any other outstanding amount due but unpaid under the Convertible Bonds (the “**Applicable Redemption Amount of the Convertible Bonds**”).
- Redemption on the Maturity Dates : The Issuer will redeem all of the Convertible Bonds on the Maturity Date of the Convertible Bonds, unless previously redeemed, converted, purchased or cancelled at the Applicable Redemption Amount of the Convertible Bonds plus an amount that would make up an aggregate internal return rate on the amount of the Convertible Bonds at 10% per annum (having included the interest paid and the Arrangement Fee paid, but excluding any default interest (whether accrued, paid or unpaid)) calculated from the date of issue of the Convertible Bonds to (and including) the Maturity Date of the Convertible Bonds. Any accrued and unpaid default interest shall be payable by the Issuer to the Bondholder in addition to the aforesaid amount at the same time.

Bondholder's redemption right for events of default : The Issuer must redeem all or such part of the outstanding principal amount of the Convertible Bonds upon the issuance of a notice of redemption by the Bondholder after occurrence of an event of default at the Applicable Redemption Amount of the Convertible Bonds plus an amount that would make up an aggregate internal rate of return on the principal amount of the Convertible Bonds at 15% per annum (having included the interest paid and the Arrangement Fee paid but excluding all default interest (whether accrued, paid or unpaid)) calculated during the period from the date of issue of the Convertible Bonds to (and including) the actual date of payment. Any accrued and unpaid default interest shall be payable by the Issuer to the Bondholders in addition to the aforesaid amount at the same time.

### **Conditions Precedent for the subscription of the Notes**

The Investor's obligations to subscribe for the Notes under the Subscription Agreement are conditional upon (unless waived by the Investor):

- (a) the Investor having performed and completed to its satisfaction due diligence review of business, affairs, operations and financial position of the Issuer and the Issuer Group;
- (b) the Investor having performed and completed to its satisfaction "know your customer", anti-money laundering or similar identification procedures in respect of the Issuer;
- (c) the Investor having received all of the documents and evidence as required under the Subscription Agreement in form and substance satisfactory to it on or prior to the date of Completion;
- (d) evidence that the Investor has performed all necessary external, internal and corporate approvals and checks under all applicable laws and regulations, including but not limited to, investment committee approval;
- (e) the representations and warranties of the Issuer contained in the transaction documents to which it is a party being true, accurate and correct and not misleading during the period beginning on the date of the Subscription Agreement and ending on the date of Completion; and
- (f) no event of default is continuing or would result from the proposed issue by the Issuer of the Notes to the Investor.

If any of the conditions above have not been fulfilled or waived by the Investor on or before the Long Stop Date then the Subscription Agreement thereof shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim against or liability or obligation to other party under the Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

## **Conditions Precedent for the subscription of the Convertible Bonds**

The Investor's obligations to subscribe for the Convertible Bonds under the Subscription Agreement are conditional upon (unless waived by the Investor):

- (a) the Investor having performed and completed to its satisfaction due diligence review of business, affairs, operations and financial position of the Issuer and the Issuer Group;
- (b) the Investor having performed and completed to its satisfaction "know your customer", anti-money laundering or similar identification procedures in respect of the Issuer;
- (c) the Issuer having obtained the approval from the Shareholders at its general meeting to be convened for the grant of a specific mandate to (i) issue the Convertible Bonds; and (ii) allot and issue the Conversion Shares upon conversion of the Convertible Bonds under the terms of the Bond Instrument;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and such approval and permission remaining in full force and effect;
- (e) the Investor having received all of the documents and evidence as required under the Subscription Agreement in form and substance satisfactory to it on or prior to the date of Completion;
- (f) evidence that the Investor has performed all necessary external, internal and corporate approvals and checks under all applicable laws and regulations, including but not limited to, investment committee approval;
- (g) the representations and warranties of the Issuer contained in the transaction documents to which it is a party being true, accurate and correct and not misleading during the period beginning on the date of the Subscription Agreement and ending on the date of Completion; and
- (h) no event of default is continuing or would result from the proposed issue by the Issuer of the Convertible Bonds to the Investor.

## **Event of default under the Notes Instrument and the Convertible Bonds**

The events of default under the Notes Instrument and the Convertible Bonds are:

- (a) the Issuer or the Guarantor does not pay on the due date any amount payable or any interest payable pursuant to the transaction documents at the place at and in the currency in which it is expressed to be payable;
- (b) (1) the net asset value of the Guarantor is less than HK\$5,000,000,000 (or its equivalent in another currency or currencies) in any of its financial years during which the Notes or Convertible Bonds remains outstanding; or (2) the quotient of the total asset value of the Guarantor divided by the net asset value of the Guarantor is greater than 2.2 in any of its financial years during which the Notes or Convertible Bonds remain outstanding;

or (3) the net asset value of the Issuer is less than HK\$400,000,000 (or its equivalent in another currency or currencies) in any of its financial years during which the Notes or Convertible Bonds remain outstanding;

- (c) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under any transaction document (to which it is a party), which if capable of remedy, is not remedied within five (5) Business Days (or such longer period as the Noteholder or the Bondholder, as the case may be, may permit) of the earlier of receipt of a written notice specifying such breach from the Noteholder or the Bondholder (as the case may be) and the Issuer or the Guarantor becoming aware of such breach;
- (d) a representation, statement or warranty made or deemed to be made or repeated by the Issuer or the Guarantor in any transaction document or in any document delivered by or on behalf of the Issuer or the Guarantor under any transaction document is or proves to have been incorrect or misleading when made or deemed to be made or repeated, which if capable of remedy, is not remedied within five (5) Business Days (or such longer period as the Noteholder or the Bondholder, as the case may be, may permit) of the earlier of receipt of a written notice specifying such breach from the Noteholder or the Bondholder (as the case may be) and the Issuer or Guarantor becoming aware of such breach;
- (e) the Shares cease to be listed or admitted to, or are suspended for a period of more than five (5) consecutive Trading Days (or such longer period as agreed by the Noteholder or the Bondholder as the case maybe) from, trading on the Stock Exchange and/or the Shareholders pass a Shareholder resolution to delist its shares from the Stock Exchange;
- (f) if (1) any financial indebtedness of the Issuer, the Guarantor or member of the Issuer Group is not paid when due nor within any originally applicable grace period; (2) any financial indebtedness of the Issuer, the Guarantor or member of the Issuer Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (3) any commitment for any financial indebtedness of the Issuer, the Guarantor or member of the Issuer Group is cancelled or suspended by a creditor of the Issuer, the Guarantor or member of the Issuer Group as a result of an event of default (however described); (4) any creditor of the Issuer, the Guarantor or member of the Issuer Group becomes entitled to declare any financial indebtedness of the Issuer, the Guarantor or member of the Issuer Group due and payable prior to its specified maturity as a result of any event of default (however described); (5) any security given by the Issuer, the Guarantor or member of the Issuer Group becomes enforceable and steps are taken to enforce the same; or (6) default is made by the Issuer, the Guarantor or member of the Issuer Group in making any payment due under any guarantee and/or indemnity given by it in relation to any financial indebtedness of any other person;
- (g) if any order is made by any competent court which is not discharged or overruled within 14 days by a non-appealable order by a competent court, or any resolution is passed for the winding up, bankruptcy or dissolution of the Issuer, the Guarantor or member of the Issuer Group;

- (h) if the Issuer, the Guarantor or member of the Issuer Group stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent by a competent court and such ruling is not discharged or overruled within 14 days (or such longer period as may be agreed by the Noteholder or Bondholder as the case maybe) by a non-appealable order by a competent court;
- (i) if (1) proceedings are initiated against the Issuer, the Guarantor or member of the Issuer Group under any applicable liquidation, insolvency, bankruptcy, judicial management, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, judicial manager, administrator or other similar official, or an administrative or other receiver, manager, judicial manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or member of the Issuer Group or, as the case may be, in relation to the whole or any part of the undertaking, assets or revenues of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them; and (2) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 14 days (or such longer period as may be agreed by the Noteholder or Bondholder as the case maybe);
- (j) if the Issuer, the Guarantor or member of the Issuer Group (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation, judicial management or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) and such meeting is not cancelled within 14 days (or such longer period as may be agreed by the Noteholder or the Bondholder as the case maybe) from its announcement;
- (k) if any event occurs which, under the laws of the jurisdiction of incorporation of the Issuer, the Guarantor or member of the Issuer Group, has or may have, in the Noteholder's or Bondholder's opinion (as the case may be), an analogous effect to any of the events referred to in paragraphs (g) to (j) above;
- (l) if the Issuer or the Guarantor repudiates or purports to repudiate any transaction document to which it is a party;
- (m) any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings, requisitions or disputes are commenced or threatened in relation to any transaction document or the transactions contemplated in any transaction document or against the Issuer, the Guarantor or member of the Issuer Group or in relation to its assets which has or is reasonably likely to have a material adverse effect;

- (n) (1) it is or becomes unlawful for the Issuer or the Guarantor to perform any of its obligations under any transaction document to which it is a party; or (2) any obligation of the Issuer under any transaction document to which it is a party are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively adversely affects the interests of the Noteholder or Bondholder, as the case may be, under any transaction document; or (3) any transaction document ceases to be in full force and effect or cease to be legal, valid, binding, enforceable or effective;
- (o) any event or circumstance occurs which in the opinion of the Noteholder or Bondholder, as the case may be, has or may likely to have a material adverse effect;
- (p) if the Issuer, the Guarantor or member of the Issuer Group ceases or threatens to cease to carry on the whole or a substantial part of its business or changes or threatens to change the nature or scope of its business;
- (q) if the guarantee given by the Guarantor under the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect; or
- (r) if an event of default in respect of the Notes or Convertible Bonds issued by the Guarantor takes place and such event of default is not remedied within any applicable period.

### **Completion of the subscription of the Notes**

The Notes will be issued to the Investor on the second Business Day of fulfillment or waiver (as the case may be) of the conditions precedent in respect of the subscription of the Notes or at such other day as the Investor may agree in writing, but in any event no later than the Long Stop Date.

### **Completion of the subscription of the Convertible Bonds**

The Convertible Bonds will be issued to the Investor on such time or date as the parties may agree in writing, but in any event on or before 7 October 2016.

### **Undertakings**

Pursuant to the Subscription Agreement, the Issuer has given, among others, the following undertakings:

- (a) except for any lien arising by operation of law or any security interest created or entered into with the consent of the Investor, the Issuer shall not (and shall ensure that no other members of the Issuer Group will) create or permit to subsist any security interest over any of its assets or interest or shareholding in any member of the Issuer Group; or sell, transfer or otherwise dispose of any of its assets on terms where it is or may be leased to or reacquired or acquired by it or any of its related entities, or enter into any other preferential arrangement having a similar effect, in circumstances where the transaction is entered into primarily as a method of raising financial indebtedness or financing the acquisition of an asset;

- (b) the Issuer shall not (and shall ensure that no members of the Issuer Group will) incur, create or permit to subsist or have outstanding any financial indebtedness or enter into any agreement or arrangement whereby it is entitled to incur, create or permit to subsist any financial indebtedness other than financial indebtedness arising under the transaction documents, permitted in writing by the investor or, if not falling into the aforementioned categories, the aggregate amount does not exceed HK\$300,000,000 (or its equivalent); and
- (c) that the net asset value of the Issuer is not less than HK\$400,000,000 and the Issuer shall procure that the net asset value of the Guarantor is not less than HK\$5,000,000,000 and that the quotient of the total asset value divided by the net asset value of the Guarantor is not greater than 2.2.

### **Arrangement Fee**

Pursuant to the Subscription Agreement, the Issuer is to pay to the Investor the Arrangement Fee.

### **Guarantee**

The payment of the principal and interest (including default interest) in respect of the Convertible Bonds and Notes and all other moneys payable by the Issuer under or pursuant to the Subscription Agreement and its ancillary documents have been unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee.

### **INFORMATION OF THE ISSUER**

The Issuer, namely SMI Culture Group Holdings Limited, is an investment holding company. The Issuer Group is principally engaged in the investment in the production and distribution of films, investment in the production and distribution of television dramas and creation, production and distribution of new media contents, production and distribution of online and film advertisements, agency operation for films, directors, scriptwriters and artists, and tourism.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Issuer and its ultimate beneficial owners are independent of and not connected with the Company or any connected persons of the Company.

### **INFORMATION OF THE GROUP**

The Group is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment holding, provision of management and consultancy services.

The Group intends to fund the total subscription amount under the Subscription of HK\$300,000,000 by internal resources of the Group.

## **REASONS AND BENEFITS FOR THE SUBSCRIPTION OF CONVERTIBLE BONDS**

As the Notes and the Convertible Bonds are guaranteed by the Guarantor and the rate of return of the Notes and the Convertible Bonds is generally more favourable and higher than the interest rates of fixed deposits offered by well-recognized financial institutions in Hong Kong, the Directors are of the view that the Subscription is a low-risk investment and would diversify the Group's investment portfolio and generate stable income for the Group.

Based on the above, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the transaction contemplated under the Subscription Agreement is in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Subscription, when aggregated with the Previous Subscription pursuant to Rule 14.22 of the Listing Rules, exceed(s) 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Arrangement Fee”	an annual arrangement fee of HK\$3,000,000, being 1% of the aggregate of the principal amounts of the Notes and the Convertible Bonds
“Board”	the board of Directors
“Bond Instrument”	a separate instrument to be executed by the Issuer by way of a deed poll containing terms of the Convertible Bonds
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong and the PRC are generally open for business and in the case a surrender of a certificate in respect of the Convertible Bonds, in the place where the certificate is surrendered
“Company”	Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
“Completion”	completion of the issue of the Notes or the issue of the Convertible Bonds, as applicable

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Conversion Period”	the period from the date of issue of the Convertible Bonds to the Maturity Date of the Convertible Bonds
“Conversion Price”	the initial conversion price of HK\$0.675 per Conversion Share upon the Bondholders exercise of conversion rights under the Convertible Bonds (subject to normal adjustment), provided that the Conversion Price shall not in any event be lower than HK\$0.38
“Conversion Shares”	up to initially 148,148,149 new Share(s) to be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bond(s)
“Convertible Bond(s)”	the 5% guaranteed convertible bond(s) in the aggregate principal amount of HK\$100,000,000 to be issued by the Issuer pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the deed of guarantee to be entered into by the Guarantor and the Investor
“Guarantor”	SMI Holdings Group Limited (星美控股集團有限公司), a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 198)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investor”	Ever Ascend Investments Limited (永晉投資有限公司), a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly owned subsidiary of the Company
“Issuer”	SMI Culture Group Holdings Limited (星美文化集團控股有限公司), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 2366)
“Issuer Group”	the Issuer and each of its subsidiaries

“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	14 calendar days immediately following the date of the Subscription Agreement (or such later date as may be agreed by the parties hereto in writing)
“Maturity Date of the Convertible Bonds”	the date falling on the first anniversary of the date of issue of the Convertible Bonds, which can, at the Investor’s sole and absolute discretion, be extended to the date falling on the second anniversary of the date of issue of the Convertible Bonds and if that is not a Business Day, the first Business Day after
“Maturity Date of the Notes”	the date falling on the first anniversary of the date of issue of the Notes, which can, at the Investor’s sole and absolute discretion, be extended to the date falling on the second anniversary of the date of issue of the Notes and if that is not a Business Day, the first Business Day after
“Notes”	the 5% fixed guaranteed notes in the aggregate principal amount of HK\$200,000,000 due on the Maturity Date of the Notes
“Notes Instrument”	a separate instrument to be executed by the Issuer by way of a deed poll containing terms of the Notes
“Noteholder(s)”	the person(s) in whose name the Notes is registered
“percentage ratios”	as defined in the Listing Rules
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Previous Subscription”	the subscription of notes of the principal of HK\$250,000,000 issued by the Issuer on 1 February 2016 pursuant to a subscription agreement dated 29 January 2016 entered into amongst the Issuer as the issuer, the Guarantor as the guarantor and Amazing Union Limited, an indirect wholly-owned subsidiary of the Company, as the subscriber, details of which are set out in the announcement of the Company dated 29 January 2016

“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Issuer
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Notes and the Convertible Bonds
“Subscription Agreement”	the subscription agreement entered into between the Issuer and the Investor dated 8 August 2016 in relation to the Subscription
“Trading Day”	a day when the Stock Exchange is open for dealing business, provided if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
“%”	per cent.

By order of the Board  
**Huarong International Financial Holdings Limited**  
**Liu Xiaodong**  
*Chairman*

Hong Kong, 8 August 2016

*As at the date of this announcement, the executive Directors are Mr. Liu Xiaodong, Mr. Huang Rui and Mr. Lai Jinyu, the non-executive Director is Mr. Ming Hang, and the independent non-executive Directors are Dr. Wong Tin Yau Kelvin and Mr. Yeung Siu Keung.*