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Television Broadcasts Limited

電視廣播有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 00511

**DISCLOSEABLE TRANSACTION
AND
ANNOUNCEMENT PURSUANT TO RULE 13.13 OF
THE LISTING RULES
SUBSCRIPTION OF 7.5% CONVERTIBLE BONDS TO BE ISSUED BY
SMI HOLDINGS GROUP LIMITED**

BACKGROUND

The Board announces that on 23 April 2018, the Company and the Issuer (an Independent Third Party) entered into the Bonds Subscription Agreement in relation to the subscription by the Company for the Bonds (i.e. US\$23,000,000 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021)) issued by the Issuer. The Bonds Subscription was completed on 23 April 2018.

The Board further announces that on 2 May 2018 (after trading hours), the Company and the Issuer entered into the CB Subscription Agreement in respect of the CB Subscription, pursuant to which the Company has conditionally agreed to subscribe for, and the Issuer has conditionally agreed to issue to the Company or its nominees, the Convertible Bonds in the aggregate principal amount of US\$83,000,000 (equivalent to approximately HK\$651,550,000) at an interest rate of 7.5% per annum for a term of two years, extendable to three years subject to the parties' mutual agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the CB Subscription, on a standalone basis or after aggregating with the Bonds Subscription, are more than 5% but less than 25%, the CB Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules. The Bonds Subscription did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules as all the applicable percentage ratios were below 5%.

As the assets ratio (as defined under Rule 14.07(1) of the Listing Rules) in respect of the CB Subscription, after aggregating with the Bonds Subscription, exceeds 8%, this announcement is also made for the purpose of compliance with Rule 13.13 of the Listing Rules.

BACKGROUND

The Board announces that on 23 April 2018, the Company and the Issuer entered into the Bonds Subscription Agreement in relation to the subscription by the Company for the Bonds (i.e. US\$23,000,000 9.5% unsecured redeemable fixed coupon bonds due 2020 (extendable to 2021)) issued by the Issuer. The Bonds Subscription was completed on 23 April 2018.

The Board further announces that on 2 May 2018 (after trading hours), the Company and the Issuer entered into the CB Subscription Agreement in respect of the CB Subscription, principal terms of which are set out below.

THE CB SUBSCRIPTION AGREEMENT

Date

2 May 2018

Parties

- (i) the Company, as subscriber
- (ii) the Issuer

Subject matter

Pursuant to the CB Subscription Agreement, the Company has conditionally agreed to subscribe for, and the Issuer has conditionally agreed to issue to the Company or its nominees, the Convertible Bonds in the principal amount of US\$83,000,000 (equivalent to approximately HK\$651,550,000) at an interest rate of 7.5% per annum for a term of two years, extendable to three years subject to the parties' mutual agreement.

Consideration

The aggregate principal amount of US\$83,000,000 shall be payable by the Company as follows:

- (a) US\$40,000,000 shall be paid by the Company to the Issuer as deposit on the date of the CB Subscription Agreement; and
- (b) the balance of US\$43,000,000 shall be paid by the Company to the Issuer on the completion date.

The Company intends to fund the subscription amount of the Convertible Bonds by the Group's internal resources.

Conditions precedent

The CB Subscription is conditional upon fulfillment of the following, unless otherwise waived by the Company (other than sub-paragraphs (c) to (d) below which cannot be waived):

- (a) the Company having conducted due diligence exercise (technical, financial and legal) on the Issuer and satisfied with the results thereof;
- (b) the Issuer's representations, warranties and undertakings being true, correct and complete when made and remaining true, correct and complete and not misleading as at the completion date;
- (c) the Listing Committee having granted the approval (either unconditionally or subject to conditions to which neither the Issuer nor the Company objects) for the listing of and permission to deal in the Conversion Shares issued by the Issuer upon exercise by the Bondholders of the Conversion Rights;
- (d) the compliance by the Issuer and the Company of any other requirements under the Listing Rules and the Code on Takeovers and Mergers or otherwise of the Stock Exchange and the Securities and Futures Commission of Hong Kong in relation to the CB Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds, the execution of the CB Instrument, and the issue and allotment of the Conversion Shares);
- (e) (where required) the Bermuda Monetary Authority granting its permission to the issue of the Convertible Bonds, and the issue and allotment of the Conversion Shares;

- (f) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into and/or performance of the CB Subscription Agreement by the Issuer (including but not limited to the issue of the Convertible Bonds, the execution of the CB Instrument, the issue of the certificate(s) for the Convertible Bonds, and the issue and allotment of the Conversion Shares);
- (g) (where applicable and required) having obtained all necessary approvals and consents from any government or regulatory authority or any person and the completion of all necessary filings with any government or regulatory authority required for the entering into and/or performance of the CB Subscription Agreement by the Company (including but not limited to the CB Subscription); and
- (h) the Share Charge having been duly executed in favour of the Company.

If the above conditions precedent have not been fulfilled (or waived) on or before 31 May 2018, or such other date as the parties may agree in writing, the CB Subscription Agreement will lapse and the parties will be released from all obligations thereunder, save for the liabilities for any antecedent breach thereof (if any).

Completion

Subject to fulfillment or waiver of the conditions precedent, completion shall take place on the next business day after the date on which all the conditions precedent have been fulfilled or waived (or such other date as the parties may agree in writing).

At completion, the Convertible Bonds will be issued to the Company or its nominees at full face value, i.e. US\$83,000,000 (equivalent to approximately HK\$651,550,000).

Issuer's undertakings

Pursuant to the CB Subscription Agreement, the Issuer warrants and undertakes to the Company that, among other things,

- (a) save for the proposed issue of the convertible bonds as announced by the Issuer in its announcement on 29 March 2018 (the subscription agreements relating to the issue of the said convertible bonds lapsed on 28 April 2018), after execution of the CB Subscription Agreement, no issue of ordinary shares, preferential shares or no granting or creating of any option, right in respect of any share or loan capital, warrants, convertible loans or other similar rights, will be made to give rise to an adjustment of the conversion price (more details below) in the period from the execution of the CB Subscription Agreement until the completion date;

- (b) so long as the Convertible Bonds (or any part thereof) remain outstanding, it shall not make any decision(s) relating to investment, divestment or acquisition conducted by the Issuer with an amount exceeding 10% of the Issuer's net asset or issued capital as well as any new share placement or rights issue of new shares with an amount exceeding 10% of the Issuer's issued capital, except with the written consent of the Company;
- (c) so long as the Convertible Bonds (or any part thereof) remain outstanding, Chengdu Runyun's total debt (excluding any borrowing from the Issuer Group but including the principal amount and all interest and annual return payable by the Issuer under and in respect of the aggregate potential convertible bonds which may be issued by the Issuer during 2018) shall not exceed five times of Chengdu Runyun's EBITDA which is calculated on a quarterly basis based on its management accounts or audited accounts;
- (d) so long as the Convertible Bonds (or any part thereof) remain outstanding, its total debt/EBITDA ratio shall not be more than 6.0 and its EBITDA/interest cost ratio shall not be less than 1.5.

THE CB INSTRUMENT

The CB Instrument will be executed by the Issuer when the Convertible Bonds are issued on completion date.

Principal terms of the Convertible Bonds are summarised below.

Principal amount and denomination

The Convertible Bonds have an aggregate principal amount of US\$83,000,000 and will be issued in the denomination of US\$1,000,000.

Status

The Convertible Bonds constitute direct, secured, unsubordinated and unconditional obligations of the Issuer and rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least *pari passu* with all its other present and future direct, secured, unsubordinated and unconditional obligations.

Interest

7.5% per annum accrued on a daily basis of a 360-day year consisting of 12 months of 30 days each and payable every six months from the issue date in arrears until maturity, conversion or early redemption.

Default interest

18% per annum on any outstanding amount due under the CB Instrument accrued from the due date to the date of payment in full.

Maturity

The maturity date of the Convertible Bonds shall be the date falling on the second anniversary of the issue date of the Convertible Bonds, provided that it may be extended for one year upon mutual agreement by the Company and the Issuer.

Conversion period

Subject to the terms and conditions of the CB Instrument, the Bondholder(s) may exercise its/their right to convert all or any part of the principal amount of the Convertible Bonds in integral multiple of US\$1,000,000 into Conversion Shares at any time during the period from and including the date falling 6 months from the issue date up to the close of business on the maturity date of the Convertible Bonds.

Conversion price

HK\$3.85 per Conversion Share, which is subject to adjustments for, among other things, consolidation, sub-division and reclassification of shares of the Issuer, capitalisation issue, capital distributions, rights issues of shares or options over shares or other securities of the Issuer, issue of shares or other securities of the Issuer in discount, share offer and other dilutive events.

The conversion price may not be reduced so that, on conversion of the Convertible Bonds, shares of the Issuer would fall to be issued at a discount to their par value.

Number and ranking of Conversion Shares

Based on the initial conversion price of HK\$3.85 per Conversion Share, upon exercise of the Conversion Rights in full, 169,233,766 Conversion Shares will be issued, representing approximately 6.22% of the issued share capital of the Issuer as at the date of this announcement (assuming that there will be no change in the issued share capital of the Issuer from the date of this announcement and before the exercise of the Conversion Rights in full other than the issue of the Conversion Shares).

The Conversion Shares, when issued, will be credited as full paid, free from any security interest and will rank *pari passu* in all respects with the ordinary shares of the Issuer in issue on the conversion date.

Redemption

Unless previously redeemed, converted or cancelled, the Convertible Bonds will be redeemed on maturity date at the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the maturity date) minus (b) all interest paid on or prior to the maturity date.

Without prejudice to the foregoing, the Issuer may at any time after expiry of six months from the issue date but not less than 14 business days prior to the maturity date, by giving not less than 10 days' nor more than 30 days' notice to the Bondholder(s), redeem all or part of the Convertible Bonds, at the redemption price in the aggregate amount of (i) the principal amount of the outstanding Convertible Bonds and (ii) the remainder of (a) an amount equal to an annual return of 11% per annum (calculated on the principal amount of the outstanding Convertible Bonds for the period from and including the issue date up to but excluding the redemption date) minus (b) all interest paid on or prior to the redemption date.

Upon occurrence of any event of default as set out in the CB Instrument, the Bondholder(s) may demand the Issuer to redeem all or such part of the Convertible Bonds at 100% of the principal amount outstanding plus any accrued and unpaid interest on the date of the relevant written notice being served to the Issuer.

Transferability

The Convertible Bonds are transferrable in integral multiple of US\$1,000,000 except to connected persons or direct competitors of the Issuer.

Voting

The Convertible Bonds shall not confer on the Bondholder(s) any right to attend or vote at any shareholder's meeting of the Issuer.

Listing

No application will be made for listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

SECURITY

As a continuing security for the payment and performance of all the Issuer Group's present and future obligations and liabilities and all other indebtedness to the Company under the Transaction Documents, the Share Charge shall be executed between the Chargor and the Company (as chargee) relating to the entire issued share capital of SMI International on or before completion.

REASONS FOR AND BENEFITS OF THE CB SUBSCRIPTION

The terms and conditions of each of the Transaction Documents (including the subscription amount, the interest rates and the conversion price for the Convertible Bonds) have been negotiated and determined after arm's length negotiations between the Company and the Issuer with reference to, among other things, the normal prevailing commercial practice, the principal amount of the Convertible Bonds and the recent share prices of the Issuer.

Taking into account that the interest rate of the Convertible Bonds is generally more favourable and higher than the interest rate of fixed deposits offered by well-recognised financial institutions in Hong Kong, the revenue and cash flow that can be generated from the investment in the Convertible Bonds, and that the Convertible Bonds will be secured by the Share Charge, the Board considers that the CB Subscription can broaden the Group's source of income and provide the Group with a stable investment return. Accordingly, the Directors, including the independent non-executive Directors, consider that the terms of each of the Transaction Documents are fair and reasonable and the CB Subscription is in the interests of the Company and Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in Hong Kong with limited liability. The Group is principally engaged in television broadcasting with programme production, digital new media business, programme licensing and distribution, overseas pay TV operations and channel operations.

INFORMATION ON THE ISSUER GROUP

The Issuer is incorporated in Bermuda as an exempted company with limited liability the shares of which are listed on the main board of the Stock Exchange (stock code: 00198). The principal activities of the Issuer Group include movie theater operation, expansion of new complementary business on online shopping and in-theater counter sales, as well as advertising and promotion business in the PRC.

The Chargor is incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Issuer. As at the date hereof, it is an investment holding company and the sole shareholder of SMI International.

Chengdu Runyun is principally engaged in operation and management of movie theater business. As at the date hereof, Chengdu Runyun is owned 41% by SMI International and the Issuer has an effective interest in Chengdu Runyun of approximately 84.3%.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Issuer, the Chargor and their respective beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the CB Subscription, on a standalone basis or after aggregating with the Bonds Subscription, are more than 5% but less than 25%, the CB Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules. The Bonds Subscription did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules as all the applicable percentage ratios were below 5%.

As the assets ratio (as defined under Rule 14.07(1) of the Listing Rules) in respect of the CB Subscription, after aggregating with the Bonds Subscription, exceeds 8%, this announcement is also made for the purpose of compliance with Rule 13.13 of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of the Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds, which may be the Company and/or its nominees
“Bonds”	the 9.5% unsecured redeemable fixed coupon bonds in the aggregate principal amount of US\$23,000,000 due 2020 (extendable to 2021 by mutual agreement) issued by the Issuer to the Company pursuant to the Bonds Subscription Agreement on 23 April 2018
“Bonds Subscription”	the subscription of the Bonds by the Company pursuant to the Bonds Subscription Agreement
“Bonds Subscription Agreement”	the subscription agreement dated 23 April 2018 entered into between the Company and the Issuer in relation to the Bonds Subscription
“CB Instrument”	the instrument constituting the Convertible Bonds and setting out the terms and conditions thereof
“CB Subscription”	the subscription of the Convertible Bonds by the Company pursuant to the CB Subscription Agreement

“CB Subscription Agreement”	the subscription agreement dated 2 May 2018 entered into between the Company and the Issuer in relation to the CB Subscription
“Chargor”	Campbell Hall Limited, a company incorporated in the British Virgin Islands with limited liability, the sole shareholder of SMI International
“Chengdu Runyun”	Chengdu Runyun Culture Broadcasting Limited* (成都潤運文化傳播有限公司), a sino-foreign equity joint venture established in the PRC with limited liability and a non wholly-owned subsidiary of the Issuer
“Company”	Television Broadcasts Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange (stock code: 00511)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the principal amount thereof into Conversion Shares pursuant to the terms and conditions of the CB Instrument
“Conversion Share(s)”	the ordinary share(s) to be issued by the Issuer upon the Bondholder(s) exercising its/their Conversion Rights attached to the Convertible bonds in accordance with the terms and conditions of the CB Instrument
“Convertible Bonds”	the 7.5% secured redeemable convertible bonds in the aggregate principal amount of US\$83,000,000 due 2020 (extendable to 2021 by mutual agreement) to be issued by the Issuer pursuant to the CB Subscription Agreement
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortization
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Issuer”	SMI Holdings Group Limited, incorporated in Bermuda as an exempted company with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 00198)
“Issuer Group”	the Issuer and its subsidiaries
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratio(s)”	has the same meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	the holder(s) of ordinary share(s) of the Company
“Share Charge”	the share charge to be executed by the Chargor in favour of the Company (as chargee) relating to the entire issued share capital of SMI International on or before completion pursuant to the CB Subscription Agreement
“SMI International”	SMI International Cinemas Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Issuer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the CB Instrument, the CB Subscription Agreement and the Share Charge

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

Unless the context requires otherwise, amounts denominated in US\$ have been converted into HK\$ at an exchange rate of US\$1.00 = HK\$7.85 for the purpose of illustration only. No representation is made that any amount in HK\$ or US\$ has been or could have been or could be converted at the relevant dates at the above rate or any other rates or at all.

By order of the Board
Adrian MAK Yau Kee
Company Secretary

Hong Kong, 2 May 2018

As at the date of this announcement, the Board of the Company comprises:

Chairman and Non-executive Director

Dr. Charles CHAN Kwok Keung

Vice Chairman and Non-executive Director

LI Ruigang

Executive Directors

Mark LEE Po On Group Chief Executive Officer

CHEONG Shin Keong General Manager

Thomas HUI To

Non-executive Directors

Anthony LEE Hsien Pin

CHEN Wen Chi

Independent Non-executive Directors

Dr. Raymond OR Ching Fai SBS, JP

Dr. William LO Wing Yan JP

Professor Caroline WANG Chia-Ling

Dr. Allan ZEMAN GBM, GBS, JP

* *For identification purposes only*