National Arts Entertainment and Culture Group Limited
國藝娛樂文化集團有限公司

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

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

(Stock Code: 8228)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

References are made to (i) the announcement of National Arts Entertainment and Culture Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 25 March 2021 in relation to the unaudited results for the year ended 31 December 2020 (the "**Unaudited Results Announcement**"); and (ii) the announcements of the Company dated 25 May 2021, 29 July 2021, 30 September 2021 and 15 October 2021 respectively in relation to the update on delay in publication of audited final results for the year ended 31 December 2020 and despatch of annual report of the year ended 31 December 2020.

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce that the Company's auditor, Elite Partners CPA Limited, has completed its audit of the consolidated financial statements of the Group for the year ended 31 December 2020 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

MATERIAL DIFFERENCES BETWEEN THE ANNUAL RESULTS IN THE UNAUDITED RESULTS ANNOUNCEMENT AND THE ANNUAL RESULTS IN THIS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Results Announcement has not been audited and has not been agreed with the Company's auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the material differences between the annual results set out in the Unaudited Results Announcement and the annual results disclosed in this announcement, the principal details and reasons for which pursuant to Rule 18.50A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2020	Change	*Explanatory*
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
	(Audited)	(Unaudited)		
Revenue				
– Goods and services	**30,346**	70,836	(40,490)	*(i)*
– Rental	**8,837**	8,836	1	
– Interest	**–**	–	–	
Total revenue	**39,183**	79,672	(40,489)	
Other income and other net gain	**11,625**	13,689	(2,064)	
Staff costs	**(53,372)**	(48,993)	(4,379)	
Other operating expenses	**(55,656)**	(107,010)	51,354	*(i)*
Operating loss	**(58,220)**	(62,642)	4,422	
Depreciation of property, plant and equipment	**(59,613)**	(45,266)	(14,347)	
Depreciation of right-of-use assets	**(15,918)**	(14,079)	(1,839)	
Bad debt written off	**(271)**	–	(271)	
Impairment loss on property, plant and equipment	**(372,110)**	–	(372,110)	*(ii)*
Impairment loss on financial assets	**(141,934)**	–	(141,934)	*(iii)*
Net exchange gain	**50,564**	47,942	2,622	
Gain on financial restructuring	**805,664**	825,964	(20,300)	*(iv)*
Equity-settled share-based payments	**(12,000)**	(12,000)	–	
Share of loss of a joint venture	**(2,390)**	(2,390)	–	
Finance costs	**(150,281)**	(143,039)	(7,242)	
Profit before taxation	**43,491**	594,490	(550,999)	
Income tax expense	**–**	–	–	
Profit for the year	**43,491**	594,490	(550,999)	

	2020	2020	Change	*Explanatory*
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
	(Audited)	(Unaudited)		
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of foreign operations	**19,379**	22,220	(2,841)	
Other comprehensive income for the year, net of tax	**19,379**	22,220	(2,841)	
Total comprehensive income for the year	**62,870**	616,710	(553,840)	
Profit for the year attributable to:				
Owners of the Company	**44,662**	595,661	(550,999)	
Non-controlling interests	**(1,171)**	(1,171)	–	
	43,491	594,490	(550,999)	
Total comprehensive income attributable to:				
Owners of the Company	**64,041**	617,881	(553,840)	
Non-controlling interests	**(1,171)**	(1,171)	–	
	62,870	616,710	(553,840)	
Earnings per share				
Basic	**HK7.24 cents**	HK9.66 cents	(HK2.42 cents)	
Diluted	**HK5.52 cents**	HK9.66 cents	(HK4.14 cents)	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	2020	2020	Change	*Explanatory*
	HK$'000	*HK$'000*	*HK$'000*	*Notes*
	(Audited)	(Unaudited)		
Non-current assets				
Property, plant and equipment	**545,148**	1,418,843	(873,695)	*(ii)*
Right-of-use assets	**348,861**	346,529	2,332	
Interest in associates	**–**	–	–	
Investment in a joint venture	**459**	459	–	
Long-term receivables and investment deposits	**108,744**	143,916	(35,172)	
Pledged bank deposits	**2,377**	2,376	1	
	1,005,589	1,912,123	(906,534)	
Current assets				
Film products and film production in progress	**4,936**	4,524	412	
Investments in films/dramas production	**325**	325	–	
Trade receivables	**5,556**	79,917	(74,361)	*(iii)*
Inventories	**831**	2,393	(1,562)	
Prepayments, deposits and other receivables	**76,103**	89,921	(13,818)	
Amount due from a joint venture	**2,414**	2,414	–	
Cash and bank balances	**12,601**	10,758	1,843	
	102,766	190,252	(87,486)	
Current liabilities				
Trade payables	**38,604**	39,882	(1,278)	
Other payables and accruals	**129,678**	116,670	13,008	
Loans from shareholders	**20,301**	–	20,301	*(v)*
Borrowings	**67,522**	–	67,522	*(v)*
Lease liabilities	**2,256**	14,439	(12,183)	
Promissory note	**14,570**	14,100	470	
Tax payables	**2,951**	2,951	–	
	275,882	188,042	87,840	

	2020 HK$'000 (Audited)	2020 HK$'000 (Unaudited)	Change HK$'000	Explanatory Notes
Net current (liabilities)/assets	**(173,116)**	2,210	(175,326)	
Total assets less current liabilities	**832,473**	1,914,333	(1,081,860)	
Non-current liabilities				
Other payable and accruals	**60,382**	55,000	5,382	
Loans from shareholders	**69,722**	74,248	(4,526)	*(v)*
Borrowings	**87,038**	141,183	(54,145)	*(v)*
Promissory note	**33,893**	32,900	993	
Lease liabilities	**33,160**	17,124	16,036	
Convertible bonds	**866,016**	866,016	–	
Deferred tax liabilities	**–**	99,500	(99,500)	*(vi)*
	1,150,211	1,285,971	(135,760)	
Net (liabilities)/assets	**(317,738)**	628,362	(946,100)	
Capital and reserves				
Share capital	**742,387**	742,387	–	
Reserves	**(1,057,675)**	(112,311)	(945,364)	*(vi)*
Equity attributable to owners of the Company	**(315,288)**	630,076	(945,364)	
Non-controlling interests	**(2,450)**	(1,714)	(736)	
Total equity	**(317,738)**	628,362	(946,100)	

Notes:

(i) Adjustment to revenue and operating expense

As disclosed in the Unaudited Results Announcement, Guangzhou National Arts Huiying Film & Television Co., Ltd.（廣州國藝匯影影視傳播有限公司）(“**Huiying**”) , a company established in the People’s Republic of China (“**PRC**”), established Guangdong Lingbian Digital Commercial Management Co., Ltd.（廣東領變數字商業管理有限公司）(“**Lingbian Digital**”) jointly with partners, accounted for revenue of the Group of approximately RMB40 million for the year ended 31 December 2020.

On 30 October 2020, the Group acquired Huiying, which was carrying on cultural business in the PRC. At the time of transferring the shareholdings of Huiying to the Group, Huiying entered into a strategic cooperation agreement (the “**Strategic Cooperation Agreement**”) with Guangdong International Commodity Exhibition & Trade City Co., Ltd (“**Guangdong International**”), jointly established a new company, Lingbian Digital. Lingbian Digital generated revenue of approximately RMB40 million for the year ended 31 December 2020.

Due to the COVID-19 pandemic in the PRC, as of 31 December 2020, the transfer of ownership of Huiying was not completed and delayed until early January 2021.

As at the date of the Unaudited Results Announcement (i.e. 25 March 2021), in view of the Strategic Cooperation Agreement and Huiying is being wholly owned by the Group, the Board considered that the revenue of Lingbian Digital of approximately RMB40 million should be included in the revenue of the Group as a whole.

However, the change in shareholding of Huiying was still in progress as at 31 December 2020, the revenue and relevant cost of Huiying were excluded from the total revenue and relevant cost of the Group.

(ii) Impairment on the property, plant and equipment

As 31 December 2020, the Group performed impairment assessment on its property, plant and equipment and an impairment on film studio was of approximately HK$372,110,000 was recognised.

(iii) Impairment loss of financial assets

The Group recognised impairment loss on financial assets in accordance with HKFRS 9 Financial Instruments and the relevant impairment loss on financial assets of approximately HK$141,934,000 was recognised.

(iv) Gain on financial restructuring

The difference arising from the overstatement of the amount of liabilities settled under the financial restructuring exercise,

(v) Reclassification of borrowings to loan from shareholders

Reclassification of borrowings from one of the Directors to loan from shareholders.

(vi) Differences in deferred tax liabilities and reserves

The difference mainly arising from change in accounting policy in relation to hotel properties and film studio held by the Group from revaluation model to cost model. The deferred tax liabilities and properties revaluation reserve were adjusted due to the change in accounting policy. This change enables the Group to provide more relevant information in the financial statements about its performance.

FINANCIAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2020, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000* (restated)
Revenue			
– Goods and services	*4*	**30,346**	135,919
– Rental	*4*	**8,837**	41,565
– Interest	*4*	**–**	4,608
Total revenue		**39,183**	182,092
Other income and other net gain	*4*	**11,625**	14,658
Cost of film production		**–**	(1,210)
Staff costs	*6*	**(53,372)**	(58,020)
Other operating expenses	*6*	**(55,656)**	(126,015)
Operating (loss)/profit		**(58,220)**	11,505
Depreciation of property, plant and equipment	*6*	**(59,613)**	(63,240)
Depreciation of right-of-use assets	*6*	**(15,918)**	(15,927)
Bad debt written off		**(271)**	–
Impairment loss on property, plant and equipment		**(372,110)**	(93,627)
Impairment loss of financial assets	*4*	**(141,934)**	(134,496)
Impairment loss on investment in film production	*4*	**–**	(986)
Provision for restructuring cost		**–**	(43,776)
Gain on financial restructuring	*6*	**805,664**	–
Equity-settled share-based payments	*6*	**(12,000)**	–
Net exchange gain/(losses)	*6*	**50,564**	(17,791)
Share of loss of a joint venture		**(2,390)**	(2,479)
Finance costs	*5*	**(150,281)**	(244,425)
Profit/(loss) before taxation	*6*	**43,491**	(605,242)
Income tax expense	*7*	**–**	–
Profit/(loss) for the year		**43,491**	(605,242)

	Notes	**2020**	2019
		HK$'000	*HK$'000*
			(restated)
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**19,379**	(14,428)
Other comprehensive income/(expense) for the year, net of tax		**19,379**	(14,428)
Total comprehensive income/(expense) for the year		**62,870**	(619,670)
Profit/(loss) for the year attributable to:			
Owners of the Company		**44,662**	(604,467)
Non-controlling interests		**(1,171)**	(775)
		43,491	(605,242)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**64,041**	(618,895)
Non-controlling interests		**(1,171)**	(775)
		62,870	(619,670)
			(restated)
Earnings/(loss) per share			
Basic	*8*	**HK7.24 cents**	(HK124.33 cents)
Diluted	*8*	**HK5.52 cents**	(HK124.33 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000 (restated)	2018 HK$'000 (restated)
Non-current assets				
Property, plant and equipment		**545,148**	908,268	1,048,637
Right-of-use assets		**348,861**	360,218	371,074
Interest in associates		**–**	–	–
Investment in a joint venture		**459**	2,849	5,328
Long-term receivables and investment deposits		**108,744**	129,115	92,555
Pledged bank deposits		**2,377**	2,229	2,278
		1,005,589	1,402,679	1,519,872
Current assets				
Film products and film production in progress		**4,936**	4,344	1,210
Investments in films/dramas production		**325**	325	1,311
Trade receivables	*9*	**5,556**	75,184	128,177
Inventories		**831**	2,514	2,928
Prepayments, deposits and other receivables		**76,103**	42,265	54,492
Amount due from a joint venture		**2,414**	2,414	2,414
Cash and bank balances		**12,601**	3,667	13,474
		102,766	130,713	204,006
Current liabilities				
Trade payables	*10*	**38,604**	36,072	19,979
Other payables and accruals		**129,678**	197,393	83,771
Loans from shareholders		**20,301**	589,457	4,090
Borrowings		**67,522**	217,145	138,400
Bank overdrafts		**–**	5,778	–
Lease liabilities		**2,256**	13,502	9,738
Bonds		**–**	769,105	660,424
Promissory note		**14,570**	115,197	–
Tax payables		**2,951**	2,951	2,951
		275,882	1,946,600	919,353
Net current liabilities		**(173,116)**	(1,815,887)	(715,347)
Total assets less current liabilities		**832,473**	(413,208)	804,525

	Notes	**2020**	2019	2018
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Non-current liabilities				
Other payables and accruals		**60,382**	–	–
Loans from shareholders		**69,722**	–	596,941
Borrowings		**87,038**	9,895	54,659
Bonds		**–**	384,178	362,895
Promissory note		**33,893**	–	106,477
Lease liabilities		**33,160**	16,261	14,461
Convertible bonds		**866,016**	–	–
Deferred tax liabilities		**–**	–	–
		1,150,211	410,334	1,135,433
Net liabilities		**(317,738)**	(823,542)	(330,908)
Capital and reserves				
Share capital		**742,387**	494,817	451,716
Reserves		**(1,057,675)**	(1,317,816)	(782,856)
Equity attributable to owners of the Company		**(315,288)**	(822,999)	(331,140)
Non-controlling interests		**(2,450)**	(543)	232
Total equity		**(317,738)**	(823,542)	(330,908)

1. GENERAL INFORMATION AND BASIS OF PREPARATION

National Arts Entertainment and Culture Group Limited (the "Company", together with its subsidiaries as, the "Group") was incorporated in the Cayman Islands on 16 November 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) in the Cayman Islands. On 14 October 2010, the Company deregistered in the Cayman Islands and continued in Bermuda as an exempted company under the laws of Bermuda with effect from 14 October 2010. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal place of business in Hong Kong is at Room 1514–1515, 15/F., Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). The Company is principally engaged in investment holding. The principal activities of the Group include film production and distribution, the provision of management services to artistes, event coordination, operations of film studio and hotel, provision of travel related products and digital commence business.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") unless otherwise stated.

Financial restructuring plans

On 14 June 2019, a winding up petition together with the application for the appointment of Mr. Osman Mohammed Arab and Mr. Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Roy Bailey c/o EY Bermuda Ltd as joint provisional liquidators (together "JPLs") of the Company on a light touch approach for restructuring purposes (the "JPL Application") was presented and filed with the Supreme Court of Bermuda (the "Bermuda Court") by the Company's Bermuda Counsel, Conyers Dill & Pearman at the request of the Company (the "JPL Application").

Under the JPL Application, the Board shall retain all of its executive powers in relation to the ordinary course of business of the Company, subject to the JPLs' supervision, for the purpose of developing and proposing a financial restructuring, of the exercise of such powers. This would allow the Company's current management to work with the JPLs to oversee the implementation of a financial restructuring proposal.

The Bermuda Court made the orders as sought by the Company under the JPL Application, inter alia, the JPLs have been appointed on 14 June 2019.

On 10 July 2019, the Company invited all known creditors of the Company (the "Creditors") to make an offer to the Company for possible restructuring transaction, which has received substantial support from most of the Creditors.

On 26 August 2019, the Company put forward the proposed scheme of arrangement pursuant to Section 99 of the Companies Act 1981 of Bermuda and Section 670 of the Companies Ordinance (Cap. 622) of Hong Kong.

The appointment and the powers of the JPLs were recognised by the High Court of Hong Kong on 15 August 2019.

As part of the Company's financial restructuring plans, the Company invited the Creditors to make an offer to the Company to subscribe for:

(1) 1% annual coupon rate convertible bonds due 2025 to be issued by the Company (the "Convertible Bonds") in the principal amount equal to 60% of the outstanding principal amount of debts due and owing by the Company to each of the Creditors (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the relevant debt(s)) and convertible into fully-paid ordinary shares of the Company listed and traded on GEM at the initial conversion price of HK$0.55 per conversion share (the "Conversion Shares")(the "CB Subscription"); and

(2) new shares of the Company at the issue price of HK$0.38 per share (the "New Shares") the total value of which equals to the remaining 40% of the outstanding principal amount of debts due and owing by the Company to each of the Creditors (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the relevant debt(s)) (the "Share Subscription") (the CB Subscription and the Share Subscription together referred to as the "Restructuring Transaction"), as full and final settlement of all outstanding debts (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the debt(s)) due and owing by the Company to the Creditors, subject to the execution, and the final terms and conditions, of the subscription agreement, the bond instrument, any scheme of arrangement proposed by the Company and/or other agreements the execution of which is desirable for the implementation and consummation of the Restructuring Transaction, as the case maybe.

The offer by the Creditors to participate in the Restructuring Transaction also includes an agreement that the Creditors will participate in, support and vote in favour of a scheme(s) of arrangement proposed by the Company, where such scheme(s) is/are deemed necessary and appropriate by the Company and the JPLs of the Company appointed pursuant to the Order of the Bermuda Court dated 14 June 2019.

As at 12 August 2019, the Company has received substantial support from the Creditors regarding the Restructuring Transaction.

On 10 October 2019, the Restructuring Transaction was approved by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company (the "SGM").

On 8 November 2019, the creditors' scheme, which the Company will issue the New Shares and the Convertible Bonds to the Creditors to discharge and release the debt owing by the Company to the Creditors in full (the "Scheme"), was approved by the requisite statutory majorities of the Creditors.

On 6 March 2020, the Scheme became binding and effective.

On 7 May 2020, the notice of decision on adjudication of claim of the Scheme Administrators pursuant to the Scheme (the "Decision") were dispatched to the Creditors.

On 27 May 2020, the application for review of the Decision expired and no application was received.

On 9 June 2020, the Scheme Administrators informed the Company the final result of their adjudication of claims pursuant the Scheme and instructed the Company to issue the New Shares and the Convertible Bonds to the Creditors pursuant to the Scheme.

The Scheme was completed and the New Shares and the Convertible Bonds were issued to each Creditor on 29 June 2020.

Since several payment of administration fees for the restructuring are still outstanding, as a result the Company is required to maintain its status as under restructuring.

Going concern

In preparing these consolidated financial statements, the directors of The Company (the "Directors") have considered the future liquidity of the Group. As at 31 December 2020, the Group had recorded net current liabilities and net liabilities of approximately HK$173,116,000 (2019: HK$1,815,887,000) and HK$317,738,000 (2019: HK$823,542,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are of the opinion that the Group is able to continue as a going concern and to meet in full their financial obligations having considered that:

(i) Subsequent to the end of the reporting period, the Group has renegotiated with certain creditors on the maturity date of other borrowings, and other payables and accruals of approximately HK$64,901,000 and HK$55,231,000 respectively. Those creditors extended the maturity date for a two-year period.

(ii) On 13 March 2020, the Company entered into an agreement (the "SSF Agreement") with GEM Global Yield LLC SCS (the "Investor"), pursuant to which the Investor has agreed to grant the Company an option to require the Investor to subscribe for the shares of the Company (the "Shares") (the "Share Subscription Facility") and the Company has agreed to issue 383,000,000 warrants (the "Warrants") to the Investor.

    Under the Share Subscription Facility, the Company has right to request the Investor to subscribe for the Shares at a price which is 90% of the average closing price of last 10 trading days immediately following the delivery of subscription notice by the Company to the Investor, but not lower than HK$0.23 per Share (the "Option"). The Option is exercisable by the Company for 3 years, commencing on 13 March 2020. The aggregate subscription price under the Share Subscription Facility is HK$2,350,000,000.

    The Warrants carry a right to the Investor to subscribe for up to a total of 383,000,000 Shares at a price of HK$0.23 per Share for 3 years, commencing on the date of the satisfaction or the fulfilment of conditions precedent to the SSF Agreement.

(iii) On 27 May 2021, the Company issued convertible bonds to the Investor with a principal amount of HK$25,000,000 carrying a coupon rate of 4% for three years.

(iv) On 2 September 2021, the Group obtained a loan with principal amount of RMB29,000,000 (equivalent to approximately HK$35,366,000) carrying an interest rate of 10% per annum from an independent third party, available for the Group's working capital and its financial obligations.

(v) The management of the Group plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs.

Having taken into account of the abovementioned, the Directors adopted the going concern basis in the preparation of the consolidated financial statements. In the opinion of the Directors, in light of the aforesaid arrangement implemented to date, the Group will have sufficient working capital for its current requirements and it is reasonable to expect that the Group will remain as a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2020 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustment would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Change in accounting policy for hotel properties and film studio

In accordance with HKAS 16 Property, Plant and Equipment, the Group's hotel properties and film studio can either be accounted for using the cost model or the revaluation model after their initial recognition. The Group accounted for its hotel properties and film studio using the revaluation model in previous years.

Given the fact that a) the effect of COVID-19 pandemic on unexpected fluctuation in properties value; and b) most of the hotel properties and film studio held by listed companies in Hong Kong in the hotel and theme park industries, are accounted for using the cost model, during the year, the Group aligned its accounting policy with the industry practice and stated its hotel properties and film studio at cost less accumulated depreciation and any impairment losses. This change in accounting policy has resulted in a decrease in the value of the hotel properties and film studio owned by the Group. In addition, the Group's hotel properties and film studio are not expected to be sold in the normal course of business, instead, the future economic benefits embodied in the properties will be recovered principally through use in the Group's operation. In the opinion of the directors, this change in the accounting policy enables the Group to provide more relevant information in the financial statements about its performance.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 December 2020 ***HK$'000***	Year ended 31 December 2019 *HK$'000*
(Increase)/decrease in depreciation of property, plant and equipment	**(3,324)**	342
Increase in impairment loss on property, plant and equipment	**(90,483)**	(93,627)
(Decrease)/increase in profit/(loss) for the year attributable to owners of the Company	**(93,807)**	(93,285)
(Decrease)/increase in earnings/(loss) per share attributable to owners of the Company		
Basic	**(HK15.21 cents)**	(HK19.19 cent)
Diluted	**(HK11.12 cents)**	(HK19.19 cent)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
(Decrease)/increase in profit/(loss) for the year	**(93,807)**	(93,285)
Decrease in revaluation of proportions held for own use	**8,531**	235,879
Decrease in deferred tax liabilities	**(2,844)**	(58,970)
Decrease in exchange differences on translation of foreign operations	**41,078**	200
Increase/(decrease) in other comprehensive income/(expense) for the year attributable to owners of the Company	**46,765**	177,109
(Decrease)/increase in total comprehensive income/(expense) for the year attributable to owners of the Company	**(47,042)**	83,824

Consolidated statement of financial position

	31 December 2020 HK$'000	31 December 2019 HK$'000	1 January 2019 HK$'000
Decrease in property, plant and equipment	**(520,902)**	(491,759)	(634,553)
Decrease in deferred tax liabilities	**2,780**	99,500	158,470
Decrease in properties revaluation reserve	**149,572**	158,104	335,013
Decrease/(increase) in translation reserve	**41,018**	(200)	–
Increase in accumulated losses	**327,532**	234,355	141,070

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure if Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") and the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE, OTHER INCOME AND OTHER NET GAIN, OTHER LOSSES AND IMPAIRMENT LOSS OF FINANCIAL ASSETS

Revenue derived from the Group's principal activities recognised during the year is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Artiste management fee income	**58**	34
Hotel room income	**11,820**	13,743
Food and beverage income	**11,483**	24,620
Films production and licensing income	**567**	–
Entrance fee income	**5,023**	11,571
Events income	**23**	64,172
Sales of travel related products	**386**	5,255
Sales of goods	**135**	2,662
Ancillary services	**851**	12,675
Consultation income	**–**	1,187
	30,346	135,919
Interest revenue that reflects significant financing granted to customers	**–**	4,608
Rental income	**8,837**	41,565
	39,183	182,092
Timing of revenue recognition:		
At a point of time	**17,027**	51,858
Over time	**13,319**	84,061
	30,346	135,919

Other income and other net gain

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**1**	29
Gain on disposal of property, plant and equipment	**1,578**	–
Government grant *(Note)*	**6,525**	–
Other interest income	**–**	6,148
Others	**3,521**	8,481
	11,625	14,658

Note: During the year ended 31 December 2020, the Group recognised COVID-19 related government grants of approximately HK$5,689,000 provided by the Hong Kong Special Administrative Region Government and approximately HK$836,000 provided by the PRC Government. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidiaries.

	2020	2019
	HK$'000	*HK$'000*
Other losses		
Impairment losses of investments in films/dramas production	**–**	986

	2020	2019
	HK$'000	*HK$'000*
Impairment loss of financial assets		
Impairment loss recognised/(reversed), net on:		
– trade receivables	**77,318**	88,806
– other receivables	**64,616**	45,690
	141,934	134,496

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on lease liabilities	**5,425**	2,287
Interest on bonds	**41,491**	144,797
Interest on convertible bonds	**40,494**	–
Interest on promissory note	**1,566**	8,720
Interest on loans from shareholders	**41,124**	58,245
Interest on unsecured other borrowings	**8,166**	12,578
Interest on secured other borrowings	**10,784**	16,441
Interest on secured bank borrowings	**1,231**	1,357
	150,281	244,425

6. PROFIT/(LOSS) BEFORE TAXATION

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Profit/(loss) before taxation is arrived at after charging/(crediting):		
Amortisation of film products	**–**	1,210
Write-off of inventories recognised as expenses	**1,566**	545
Depreciation of property, plant and equipment	**59,613**	63,240
Depreciation of right-of-use assets	**15,918**	15,927
Equity-settled share-based-payments made to financial adviser (2019: included in provision for restructuring cost)	**12,000**	21,695
Impairment loss on property, plant and equipment	**372,110**	93,627
Net exchange (gain)/losses	**(50,564)**	17,791
Employee benefit expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	**49,299**	47,190
– Contributions to retirement benefits schemes	**4,073**	10,830
	53,372	58,020
Other operating expenses		
Direct cost of operation on		
– Film Studio	**10,863**	42,237
– Hotel	**6,955**	17,000
Marketing and advertising costs	**1,320**	16,668
Legal and professional fee	**10,250**	10,383
Utilities expenses	**4,311**	4,327
Auditor's remuneration	**1,100**	1,000
Expenses related to short-term lease and low value lease	**12**	1,975
Gain on financial restructuring		
Carrying amount of liabilities settled under the restructuring transaction	**2,062,119**	–
Fair value of convertible bonds issued pursuant to the restructuring transaction	**(829,454)**	–
Fair value of new shares issued pursuant to the restructuring transaction	**(398,696)**	–
Transaction costs	**(28,305)**	–
	805,664	–

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2020 and 2019. No provision for Hong Kong Profits Tax has been made as there were no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2020 and 2019.

The PRC Enterprises Income Tax at 25% has not been provided as the PRC subsidiaries have available tax losses brought forward from previous years to offset the assessable profits generated during the years ended 31 December 2020 and 2019.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

The tax charge for the year can be reconciled to profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020	2019
	'000	*'000*
		(restated)
Profit/(loss) before taxation	**43,491**	(605,242)
Tax at domestic income tax rate	**7,176**	(99,865)
Tax effect of share of loss of an joint venture	**394**	409
Tax effect of expenses not deductible for tax purpose	**160,249**	97,418
Tax effect of income not taxable for tax purpose	**(143,032)**	(4)
Utilisation of tax losses previously not recognised	**(281)**	(7,343)
Tax effect of unrecognised estimated tax losses	**18,904**	22,040
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(43,410)**	(12,655)
Income tax expense for the year	**–**	–

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK$44,662,000 (2019: loss of HK$604,467,000) and the weighted average of 616,926,000 ordinary shares (2019: 486,193,000 shares after adjusting for the share consolidation in 2021) in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK$46,552,000 (2019: loss of HK$604,467,000) and the weighted average number of ordinary shares of 843,267,000 shares (2019: 486,193,000 shares after adjusting for the share consolidation in 2021), calculated as follows:

(i) Profit/(loss) attributable to owners of the Company (diluted)

	2020	2019
	HK$'000	*HK$'000*
		(restated)
Profit/(loss) attributable to owners of the Company	**44,662**	(604,467)
After tax effect of effective interest on the convertible bonds	**1,890**	–
Profit/(loss) attributable to owners of the Company (diluted)	**46,552**	(604,467)

(ii) Weighted average number of ordinary shares (diluted)

	2020	2019
	'000	*'000*
		(restated)
Weighted average number of ordinary shares at 31 December	**616,926**	486,193
Effect of conversion of convertible bonds	**226,341**	–
Weighted average number of ordinary shares (diluted) at 31 December	**843,267**	486,193

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables from contracts with customers		
– travel agents	**120,689**	113,611
– production crews	**56,026**	51,773
– others	**1,947**	5,588
	178,662	170,972
Less: allowance for credit losses	**(173,106)**	(95,788)
	5,556	75,184

Except for customers arising from entrance fee income, whose credit term for payment were about 12 months after tickets are sold, the following is the ageing analysis of trade receivables, net of allowances for bad and doubtful debts, presented based on the invoice date:

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**2,350**	15,621
61 to 90 days	**515**	6,218
91 to 180 days	**25**	23,632
Over 180 days	**2,666**	29,713
	5,556	75,184

10. TRADE PAYABLES

The Group was granted by its suppliers' credit periods from 30 to 60 days (2019: 30 to 60 days). The following is the ageing analysis of trade payables based on invoice date:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**963**	1,382
31 to 60 days	**392**	1,365
61 to 90 days	**728**	1,070
91 to 180 days	**838**	14,724
Over 180 days	**35,683**	17,531
	38,604	36,072

11. DIVIDEND

No dividend has been proposed or declared by the Directors for the year ended 31 December 2020 (2019: Nil).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the external auditor of the Company, Elite Partners CPA Limited:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the consolidated financial statements, which indicates that as at 31 December 2020, the Group had net current liabilities and net liabilities by approximately HK$173,116,000 and HK$317,738,000 respectively. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Impact of COVID-19 Pandemic to the Group

Due to the outbreak of the COVID-19 pandemic, the operation of the Studio and the Hotel has been temporarily suspended since 24 January 2020 and 29 January 2020 respectively (the "**Temporary Suspension**"). In view of the relief of the epidemic in the PRC, the operation of the Studio and the Hotel has resumed from 16 May 2020. As the Hotel has been designated as a quarantine hotel by the Foshan Government since September 2020, it was required to be temporarily closed to the public and only used for serving guests who are subject to quarantine coming from abroad.

Since the Group's business was adversely affected in the early stage of the COVID-19 pandemic, the management realised that a single business was exposed to the risk of force majeure. Therefore, the Group has been planning to diversify its business. In late 2020, the management adjusted the Group's business to develop the digital commerce business.

Xiqiao National Arts Studio Project

Located in Foshan City, Guangdong Province, the Group's Xiqiao National Arts Film Studio (the "**Studio**") and National Arts Resort Hotel (the "**Hotel**") (collectively the "**Xiqiao National Arts Film Studio Project**") has the view of Mount Xiqiao which is known as one of the national 5-star tourist attractions and has total developed land area of 444,000 square meters. There are unique film shooting areas throughout the Studio along with theme parks, hotel and performing arts complexes. The Studio incorporates sightseeing and recreational facilities which make it the most international vacation resort in Guangdong Province. Over the past years, the Studio successfully organised a number of events, including the "Fairy Aquatic Exhibition and Dinosaur Exhibition", "Boutique Lingnan Study Tour", "National Arts Mid-Autumn Festival Journey and Northern Lights Night", "June 1 Family Green Photography Tour", etc. In addition, the Group's National Arts Brilliant Emperor Cinematic Action Stunt Training Center（國藝輝煌電影動作特技培訓中心）, which combines films and televisions, culture and tourism and teaching activities, aiming to nurture the next generation of movie and television elites. Meanwhile, the Group has participated in several charity groups on education. The Studio cooperated with charitable organisations such as Caritas and Po Leung Kuk to organise study group events for students to participate and to explore different culture and film production in the Studio. The Group believes that the events held by the Group will effectively improve the brand awareness of the Studio and will push the Xiqiao National Arts Film Studio Project to the peak.

The valuation method in respect of the Studio has changed from income approach to cost model due to the impact of COVID-19 pandemic and to align the accounting policy with industry practice resulting a decrease in value. Nevertheless, the Group would not exclude the possibility of increase in value after the ease of COVID-19 pandemic.

Travel

National Arts Travel Limited ("**NA Travel**") has been established and commenced its business since 2015. It provides one-stop travel services especially for major organizations, associations and tourists with "Diversification, Professionalism, and Internationalism" as their principles, and formulates flexible and comfortable travel plans and personalized products. To enhance the comprehensive customer support and increase its travel agency's market competitiveness, NA Travel has updated its accounting, inquiry and sales system in 2018. In addition to optimizing traditional group tours, travel insurance, international flight and hotel booking, it also organises customized group tours, providing extraordinary experience for travelers, including private tours, business trainings and activities, honeymoon and wedding plans, cruise vacations, professional and featured tours, etc. In 2019, NA Travel initiated the "Charity Tours"（"**慈善之旅**"）in Zhaoqing and Foshan for large organizations and also arranged "Trip to Resort of National Arts Studio"（"**國藝影視旅遊度假區之旅**"）for disabled group to fulfil corporate social responsibilities.

In addition, in order to diversify its product lines, NA Travel established "Skyyer Travel（閃令令旅遊）" in 2018 through the Travel Industry Council of Hong Kong. Skyyer Travel presents a fresh brand image with the slogan "What Travel means is …… you decide to go and take action!（旅遊就是……想閃。就閃）". It specializes in designing "Tailor-made tours for sport, hobby and industry" and invites various celebrities as guests to create "Star-class Travel" which categorizes into Sport-themed Travel (golfing, marathon, cycling, basketball, table tennis, darts, kung fu, swimming, diving, dragon boat, yoga, dancing), Art-themed Travel (painting, photography, tea ceremony, music), Taste-themed Travel (food and wine tasting), Religion-themed Travel (Christianity, Buddhism, Taoism), etc., providing customers with unique experiences of in-depth tours. In 2019, to make its products more international and specialized, Skyyer Travel expanded beyond Asia for the first time and entered regions in Europe and the Middle East, including seeking the famous red wine producing areas in Bordeaux, France, visiting luxury and world-renowned buildings in Dubai and Abu Dhabi. Meanwhile, Skyyer Travel organized "Theme Activity Travel", including international darts tournament, wing chun tournament, hung kuen tournament, concert and beauty contest, etc. In the third quarter of 2019, Skyyer Travel also participated in a Sports Expo and held "Skyyer Travel Brand and Outstanding Athlete Award Ceremony" for the first time in order to achieve branding and marketing effects.

In order to align with the current education blueprint of "Broadening horizon and life-long learning", NA Travel established "National Arts Cultural Study Tour Expert（國藝文化遊學專家）" through the Travel Industry Council of Hong Kong at the beginning of 2019, which specializes in assisting primary and secondary schools, universities, social groups and institutions to plan and organize different cultural exchange and education activities with foreign counterparts. Under the mission that "Study tours are provided to broaden horizon, acquire knowledge, and have real experience" and the philosophy of "Exploring the world, making friends and enriching life", it provides professional itinerary advice and considerate services, coupled with new elements, including trainings for language, interests, history, arts, science and technology, leadership and team building. Study tours cover Foshan, Shenzhen, Guangzhou, Dongguan, Shanxi in China, Taiwan, Korea, Singapore, etc. The goal is to make sure that every participant will have an unforgettable experience. In order to align with the development of the Greater Bay Area, National Arts Cultural Study Tour Expert organized a corporate inspection delegation themed "Greater Bay Area Youth Entrepreneurship Tour" spanning Shenzhen, Guangzhou, Foshan and Dongguan in late 2019, which broke with traditional tourist routes for scenic spots, instead, it opened a new era for entrepreneurs to study and exchange in famous enterprises. In the coming future, National Arts Cultural Study Tour Expert will set to input more resources to develop into the Greater Bay Area, so as to embrace new market trends.

Furthermore, at the end of 2019, NA Travel and National Arts Cultural Study Tour Expert entered into a "Greater Bay Area Strategic Cooperation Agreement" with a media organization, aiming to implement a number of Greater Bay Area cultural and business exchanges and inspection activities, and assist industrial leaders and potential elites to have a deeper understanding on the unique culture and local customs and practices of the "9+2" cities in the Greater Bay Area, so that they can be well prepared to cultural differences before tapping into the Greater Bay Area market.

In order to give the Group's customers a better understanding on the products and policies of the Group's travel agency, the Group launched various travel publications, including: "Special Edition for Guangdong-Hong Kong-Macao Greater Bay Area (five themes: Corporate Exchange, Volunteer Services, Team Building, Experience Activities, Exploring the Ancients and Seeking its Origin)", "Guidebook for Skyyer Theme Travel Collection", "Study Tour Special Edition for National Arts Cultural Study Tour Expert", "Recommendation for Special Package Tour of NA Travel", etc.

Currently, NA Travel has expanded its digital marketing business in all directions, and entered into a platform cooperation agreement with a travel platform operated by a large Chinese-funded institution in early 2020. In the future, NA Travel will also focus on tourism technology to tap into their huge market potential.

On the other hand, NA Travel and Skyyer Travel are also committed themselves to social responsibilities, including the "1st Hong Kong Youth Festival – Sports Carnival and Record-setting Darts Event（第一屆香港青年節－體育嘉年華暨千人同鏢創紀錄）", "Sowers Action – Boundless Teaching Charity Concert（苗圃行動－有教無疆慈善音樂會）", "Kind-Hearted Fellow under "Smiling Again, Hong Kong People" Program（香港人笑容再現計劃的善心同行者）" etc. In the future, they will continue to actively participate in charitable activities and pay back to society to pursue the Group's aspiration for public welfare.

In 2020, all outbound and inbound tourism businesses were badly hit by the novel coronavirus ("**COVID-19**") pandemic and came to a halt during the whole year. The uncertainties are expected to continue until the first half of 2021. However, by virtue of NA Travel's well-established and well-planned foundation as well as NA Travel's competitive advantages, including the "Themed Interest Tours" and the "Guangdong-Hong Kong-Macao Greater Bay Area Inspection Tour" which have been developed and deployed, the Group is confident that the travel business will have a steady and robust rebound in the fourth quarter of 2021 when the pandemic is over.

Film Shooting Base

The film shooting base is the core project of the Xiqiao National Arts Film Studio Project. It covers 374,000 square meters of land, including a lake of 120,000 square meters and numbers of indoor and outdoor studios which are equipped with excellent and comprehensive ancillary facilities in order to provide the Southern China and foreign shooting crews the most realistic and delicate scenes.

By virtue of the extensive choices of scenes, supreme geographical location and multifunctional ancillary services, the film shooting base has been heavily used by the production crews. Since 2017, the Group has taken the role of rental agent by entering into several rental agreements with a number of companies renting film shooting equipment. The partners provide the plentiful props, attires and high-tech shooting equipment including lots of ancient costumes of Ming and Qing dynasties, antique furniture, simulated ordnance and other performing props. It generates substantial revenue to the Group. Besides creating enormous synergistic effect for the Group, it also enhances the Group's capability of provision of ancillary services in respect of film shooting, and also facilitates centralization of the industry as well as strengthen the Group's competitiveness among its peers. On 4 January 2018, Foshan Bureau of Culture, Publication, Radio, Film and Television (the "**Bureau**") approved a few wholly-owned subsidiaries of the Company to assist the Bureau in the operation and expansion (i) that would facilitate film enterprises from various regions moving into Foshan, policy presentation, solicitation of investment and funding as well as shooting, etc.; (ii) of digital studio and film location construction projects; and (iii) in respect of diversification of props and equipment portfolio, leasing and consolidation of props leasing business.

The Group is also the first enterprise designated by the Foshan Government to help building Foshan as the largest operation hub for props and equipment in Foshan, with focus on film and television industry, which boosted the reputation of the Group in the industry, thereby further consolidating the presence of the Studio in the film and television industry in Southern China.

Wedding Photography

The Group reached an agreement with a renowned domestic wedding photography chain group in the fourth quarter of 2013 to develop its brand-new wedding photography business. Pursuant to the agreement, the Group leased the Studio with an area of approximately 20 mu (13,333.33 square meters) for a term of 12 years and the wedding photography company invested RMB10 million for the construction of scenic spots in different styles such as European, Korean and Japanese styles.

Hotel

The 5-star Hotel located next to the Studio provides over 350 suites facilitated from deluxe suites to signature rooms. The Hotel offers a wide range of dining choices and high-quality food services, it has 6 specialties restaurants with Chinese and foreign styles, offering high-class food and wine from around the world. The Hotel is also equipped with a variety of recreational facilities such as Spa, gym room, swimming pools and tea house, allowing travelers to enjoy themselves within the Hotel in all respects including dining, drinking and entertainment.

In addition, the Hotel also provides catering services and business centre, meeting rooms and lecture halls, thereby satisfy essential needs and wants of the customers. To boost high quality service, the Hotel wishes to build strong communication among its staff by organising group activities such as sport day, in order to educate the staff of the importance of team work and to raise spirit in the corporate environment. Besides, the Hotel was awarded "19th Golden Horse Award of China Hotel – Best Theme Hotel Resort of Greater Bay Area" which recognized the corporate management quality and service quality of the Hotel.

The Hotel has been designated as a quarantine hotel by the Foshan Government since September 2020 as its geographical location, ancillary facilities and ventilation system meet the standards required by the government.

The valuation method in respect of the Hotel has changed from replacement cost model to cost model due to the impact of COVID-19 pandemic and to align the accounting policy with industry practice resulting a decrease in value. Nevertheless, the Group would not exclude the possibility of increase in value after the ease of COVID-19 pandemic.

Film Production

The Group spared no effort in promoting film culture for many years such as production of and investment in movie, microcinema and online TV programme to promote the culture and the spirit of entertainment.

During 2016, the Group invested in the production of a charity film named "Our Days in 6E"(我們的6E班). The theme of "Our Days in 6E" is in line with the current social status, laden with educational significance as part of its social responsibility. The Group expects to invest more in the production of films of various themes with an intention to step forward to the diversified film market.

During 2020, the Group invested in the production of a new film, and it is currently in the stage of the post-production.

Cinema

National Arts Films Production Limited ("**NA Films**"), an indirectly wholly-owned subsidiary of the Company, has been cooperating with its joint venture for the development of cinema business in a large shopping mall in a transportation hub area of Zhuhai, Guangdong, the People's Republic of China (the "**PRC**").

NA Films held 60% equity interest in the joint venture. The cinema boasts eight screens and a total of more than 730 seats. The cinema has commenced its operation since May 2014 which supports further comprehensive development of the Group's entertainment and culture business.

Artiste Management

To enhance the popularity of the Group's artists such as Rose Chan and Brian Yuen, the Group has arranged a variety of performance opportunities including the participation in the charity movie, "Our Days in 6E"（我們的6E 班）, the modern romantic movie, "Romantic Marriage"（婚姻的童話）.

Besides, the Group also explores the PRC market for its artists by making arrangement for them to participate in live reality show and online drama to enhance their popularity.

Development of New Business

As the global economy was embracing new development opportunities against headwinds, the Group actively sought breakthroughs in new businesses in 2020 and made efforts in the digital technology area. The Group's digital technology layout will first give priority to new pattern of consumption and new economy, and focus on "digital commerce" and "cross-border e-commerce".

Digital commerce business

Guangzhou is the center of the Guangdong-Hong Kong-Macao Greater Bay Area, with its commerce and trade industry ranking first in China in terms of development and scale. According to the policies of the Guangzhou Government, the Guangzhou Government will devote efforts in building a pilot zone for new commerce and trade innovation cluster in Guangzhou in the future, while Guangzhou International Commodity Exhibition & Trade City will become the core area. Currently, the trade city focuses on the wholesale of daily necessities and exquisite snacks, with accumulative transaction scale exceeding RMB200 billion, being in an upward development cycle. Guangzhou National Arts Huiying Film & Television Co., Ltd. (廣州國藝匯影影視傳播有限公司) ("**Huiying**"), entered into a strategic cooperation agreement with partners including Guangdong International Commodity Exhibition & Trade City Co., Ltd., and jointly established Guangdong Lingbian Digital Commercial Management Co., Ltd. (廣東領變數字商業管理有限公司) ("**Lingbian Digital**"). Lingbian Digital was licensed to be the sole value-added service management company in Guangzhou International Commodity Exhibition & Trade City. The revenue generated by Lingbian Digital will be recorded in the consolidated financial statement of the Company for the year ending 31 December 2021.

Cross-border E-commerce Business

The Group has always been determined to actively embrace the new economy and explore other development opportunities, and is committed to seeking a diversified business layout. In particular, to set a footprint in the digital e-commerce business is an important part of the diversified business strategy of the Group. During the year, the Group established National Arts Digital Technology Co., Ltd. (國藝數碼科技有限公司) ("**NA Digital**"), to vigorously expand its cross-border digital e-commerce and digital marketing business and achieve integrated marketing of contents, channels and traffic. Its principal businesses include market development, customer relationship maintenance, project strategy, platform channel, execution and coordination services, as well as the operation of online service platforms and production of content for influencers and artistes, targeting the markets in the Guangdong-Hong Kong-Macao Greater Bay Area. NA Digital boasts a digital e-commerce service team with deep understanding of domestic and overseas markets, premium brands and product networks, and maintains in-depth cooperation with major social and e-commerce platforms to provide full-chain services for the promotion of digital e-commerce of cross-border brands in Hong Kong, Macau and Mainland China.

The "Bay Area Cloud Warehouse (灣區雲倉)", a digital technology-focused industrial cluster platform under NA Digital, also officially established presence in the Guangzhou International Commodity Exhibition & Trade City jointly established by the Group and Guangzhou Commercial Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司) ("**Guangzhou Commercial Holdings**"), a wholly state-owned enterprise under Guangzhou government, marking another milestone of the Group's development in digital e-commerce matrix.

As a cross-border export consumer service platform, Bay Area Cloud Warehouse focuses on digital technology, and leverages on the Group's entertainment, film and television ecosystem to empower the development of the platform. It aims to build a world-class marketing platform with regional synergy by gathering world-class quality products, coordinating and promoting resources, and adopting the new model of combining online and offline advantages.

In the fourth quarter of 2020, the Group invited one of the most representative industrial and commercial groups in Hong Kong, the Youth Committee of the Chinese Manufacturers' Association of Hong Kong (the "**CMA Youth Committee**"), which gathered the resources of many young entrepreneurs and manufacturers, to support the launch of products under the cooperation program of BuyLive (a new e-commerce live streaming platform) and ViuTV. In 2021, the Group once again cooperated with a number of famous brands of the CMA Youth Committee through the "Skyyer Live-streaming Sale for Chinese New Year（閃令令直播新春熱賣）".

During the year ended 31 December 2020, the digital e-commerce business actively made deployment to demonstrate the development potential of the Group and the importance of digital e-commerce business development. It also marked the development advantages and direction of NA Digital's new digital commerce business layout planning featuring "service-originated aggregation, aggregation-driven transactions, transaction-generated data, and data-based finance".

The PRC team of the Group includes talented staffs who have extensive knowledge of policies and regulations in cross-border e-commerce and owns practical operating experiences in several ecommerce channels.

During the year ended 31 December 2020, the Group has successfully established an online flagship store on a well-known PRC ecommerce platform, Tmall Global. Following this success, the Group will continue to develop other flagship stores on various ecommerce platforms, including JD.com and Pinduoduo.com. Aside from focusing on the current establishment of channels on numerous platforms, the Group also fixates on the development of different brands and targets customer groups globally in order to provide a comprehensive sales and distribution solutions. At the same time, the Group takes its advantages in the coalesce supply chains, such as global distribution strategies and private channels distribution strategies so as to cover all businesses online and offline worldwide.

Based on the rapid market development and staggering growth of consumer powers on cross-border ecommerce market, the Group will increase its efforts in ecommerce business of both importation of high-quality foreign goods and exportation of domestic products in the future.

FUTURE PROSPECT

Benefiting from the opportunities brought by the construction of the Belt and Road Initiative, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, as well as the opening of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, the China National Tourism Administration is able to bring more convenience to overseas visitors to travel within the Greater Bay Area, strengthen market supervision, promote marketing and cooperation, and support the industry to develop more "one travel with multi-stops" tourism products. Hong Kong may become a "transit station" in the Greater Bay Area, and travel agencies are expected to design more intra-Bay tourism products, such as corporate inspection tour, film-induced tourism and special interest group tour, in response to the development of the Greater Bay Area.

With aging population, more senior people choose to travel abroad after retirement. Travel agencies will design more medium to short itineraries, and expand the cruise market to provide a more diverse travel experience to cater the needs of the senior people. As young people pay more attention to tourism and cultural experience, in-depth travelling is increasingly popular among them. Therefore, the travel agencies will design tours with more characteristics, such as sports tourism, art tourism, experience tourism and religious tourism, in order to attract young travelers.

The demand for business travel is increasing, and the opening of the two major infrastructures, namely, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, has greatly enhanced the advantages of connection between Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area. Travel agencies are expected to expand tourism in related fields, cooperate with the Group's resort hotels and studios, and launch corporate training and communication experiences and theme activity tourism to meet the needs of corporate customers.

Furthermore, in order to diversify business and disperse risks, the Group has further expanded its digital e-commerce and digital marketing business, including establishing strategic partnerships with different brands and platforms. The Group's Bay Area Cloud Warehouse has integrated resources of multiple parties in conjunction with the matrix strategy of Guangzhou International Commodity Exhibition & Trade City to provide one-stop solutions. It will focus on digital trade and exhibition platform to develop four major service ecosystems, namely intellectual property service system, foreign trade service system, business expansion services and chain financial services (鏈路金融服務), with a view to the strategic ecological development of "one center, four major services". It aims to provide one-stop cross-border e-commerce services to brand owners, including product selection, warehousing, logistics, customs clearance and online store operation. As a pioneer in the digital e-commerce industry in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group's digital technology division is expected to play a big role in boosting its business, and will become a new profit growth driver promoting the steady improvement of its performance.

In the future, the Group will exploit its geographical location in the Guangdong-Hong Kong-Macao Greater Bay Area, one of the four major bay areas in the world, and upgrade its business operations. In addition to enhancing research in education field, the Group will earnestly develop digital technology to empower eight aspects, namely smart intelligent property rights, trade and exhibition, cross-border, membership, public domain, private domain, ecological system and finance. It is expected that more quality products, resources and channels will join hands to establish a foothold in the Greater Bay Area and go global.

In addition, following the emerging trends of cross-border e-commerce and staggering growth of consumer powers, the Group will emphasize on the development of its e-commerce business inspect of continue to develop multi-channel selling by setting up flagship stores on various well-known PRC ecommerce platforms, including JD.com and Pinduoduo.com, and also increase its efforts in e-commerce business of both importing high-quality foreign goods and exporting domestic products in the future. Meanwhile, the Group is planning to expand its e-commerce business globally by cooperating with global brands and partner companies and develop its superior strategies of global and private coalesce supply chains, in order to achieve the goal of "Global is Local, Local is Global".

FINANCIAL REVIEW

Results

With the outbreak of the COVID-19 pandemic and the Temporary Suspension, the Group's revenue for the year ended 31 December 2020 decreased drastically when compared to that for the year ended 31 December 2019. Nevertheless, following the Temporary Suspension, the direct costs of the Group were also reduced and the Group has been operating at minimal costs so as to maintain its necessary operation.

Given the fact that (a) most of the hotel properties and film studio held by listed companies in Hong Kong in the hotel and theme park industries are accounted for using the cost model; and (b) the effect of COVID-19 pandemic on unexpected fluctuation in properties value, during the year, the Group aligned its accounting policy with the industry practice and stated its hotel properties and its film studio at cost less accumulated depreciation and any impairment losses. This change in accounting policy has resulted in a decrease in the value of the hotel properties and film studio owned by the Group. Under the impact of the force majeure caused by the COVID-19 pandemic, the profitability of the hotel properties and film studio did not decrease as a result of the reduction in value. The Group is confident that the business and profitability of its hotel properties and film studio will gradually resume to the previous level upon the ease of the COVID-19 pandemic.

During the year under review, the Group recorded revenue of approximately HK$39.18 million, representing a decrease of approximately HK$142.91 million as compared to that in 2019. The decrease in revenue was mainly attributable to the Temporary Suspension. The operation of the Studio and the Hotel was resumed from 16 May 2020.

Staff costs for the year under review decreased to approximately HK$53.37 million from approximately HK$58.02 million in 2019, representing an decrease of approximately HK$4.65 million. Such decrease was mainly due to the Temporary Suspension during the year under review.

Other operating expenses for the year under review decreased to approximately HK$55.66 million from approximately HK$126.02 million in the corresponding period in 2019. The Group recorded a decrease in other operating expenses of approximately HK$70.36 million due to the Temporary Suspension during the year under review.

Finance costs for the year under review decreased to approximately HK$150.28 million from approximately HK$244.43 million for the year ended 31 December 2019. Interest expenses of approximately HK$94.15 million included in the finance costs were accrued interest on bonds, loan from shareholders and unsecured other borrowings, which were settled by way of issuance of the convertible bonds and new shares of the Company on 29 June 2020 pursuant to the Group's restructuring transaction.

Gain on financial restructuring of approximately HK$805.66 million was recorded during the year under review. Such impact arose from the difference between the carrying amount of liabilities settled of approximately HK$2,062.12 million and the fair value of the convertible bonds and the news shares of the Company issued of approximately HK$1,228.15 million and equity settled share-based payment expenses of approximately HK$28.31 million under the Group's restructuring transaction, details of which are set out in the paragraphs headed "Restructuring Transaction" and "Scheme of Arrangement" below. Nevertheless, the impact was non-cash item and does not have any real impacts on the operations and cash flows of the Group during the year under review.

For the year ended 31 December 2020, the Group recorded a net profit of approximately HK$43.49 million as compared to a net loss of approximately HK$605.24 million for the year ended 31 December 2019. Such increase in the net profit was mainly due to the gain on financial restructuring during the year under review.

Liquidity and Financial Resources

	2020	2019
	HK$'000	*HK$'000*
	(Audited)	(Audited)
Current assets	**102,766**	130,713
Current liabilities	**275,882**	1,946,600
Current ratio	**37.2%**	6.7%

Current ratio as at 31 December 2020 was 37.2% (2019: 6.7%). As at 31 December 2020, the Group's total positive cash and cash equivalents amounted to approximately HK$12.60 million (2019: positive cash and cash equivalents approximately HK$3.67 million).

As at 31 December 2020, the Group's current liabilities exceeded its current assets by approximately HK$173.12 million. In addition, due to the outbreak of the COVID-19 pandemic, the core business as well as the fundraising activities of the Group have been severely affected. These conditions indicate that there may exist a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the existence of these indicators, the Directors are of the opinion that it is appropriate for the consolidated financial statements to be prepared on the assumption that the Group will continue to operate as a going concern. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors have adopted several measures, including the following:

(a) Extension of the Group's other borrowing

Subsequent to the end of the reporting period, the Group has renegotiated the maturity date of other borrowings and other payables and accruals of approximately HK$64,901,000 and HK$55,231,000 respectively. Those creditors extended the maturity date for a two-years period.

(b) Credit facilities obtained after the end of the reporting period

On 2 September 2021, the Group obtained a loan with a principal amount of RMB29,000,000 (equivalent to approximately HK$35,366,000) carrying an interest rate of 10% per annum, available for the Group's working capital and its financial obligations.

(c) Possible fund-raising activities

Issue of Option Shares and Warrant Shares

On 13 March 2020, the Company entered into an agreement (the "**SSF Agreement**") with GEM Global Yield LLC SCS (the "**Investor**"), pursuant to which the Investor has agreed to grant the Company an option to require the Investor to subscribe for the shares of the Company (the "**Shares**") (the "**Share Subscription Facility**") and the Company has agreed to issue 383,000,000 warrants (the "**Warrants**") to the Investor.

Under the Share Subscription Facility, the Company has right to request the Investor to subscribe for the Shares at a price which is 90% of the average closing price of last 10 trading days immediately following the delivery of subscription notice by the Company to the Investor, but not lower than HK$0.23 per Share (the "**Option**"). The Option is exercisable by the Company for 3 years, commencing on 13 March 2020. The aggregate subscription price under the Share Subscription Facility is HK$2,350,000,000.

The Warrants carry a right to the Investor to subscribe for up to a total of 383,000,000 Shares at a price of HK$0.23 per Shares for 3 years, commencing on the date of the satisfaction or the fulfilment of conditions precedent to the SSF Agreement.

The issuance of the Shares under the Share Subscription Facility and the Warrants is subject to the approval from the Stock Exchange and the Shareholders.

The SSF Agreement and all actions taken or to be taken by the Company pursuant to the SSF Agreement were generally and unconditionally approved, ratified and confirmed and the specific mandates was granted to the Directors to allot and issue 383,000,000 Warrant Shares at the exercise price of HK$0.23 each (subject to adjustment) in the SGM held on 5 October 2020. The warrants were issued by the Company in January 2021.

Details of the SSF Agreement, the issue of the Option Shares and the Warrants are set out in the Company's announcements dated 13 March 2020, 27 July 2020, 31 August 2020, the Company's circular dated 11 September 2020 and the Company's poll results announcement dated 5 October 2020.

Issue of Convertible Bonds

On 17 April 2021, the Company entered into the subscription agreement (the "**Subscription Agreement**") with the Investor, pursuant to which the Investor has agreed to subscribe for, and the Company agreed to issue, the convertible bonds in an aggregate principal amount of HK$25,000,000 (the "**2021 Convertible Bonds**").

The 2021 Convertible Bonds with a principal amount of HK$25,000,000 were issued by the Company with carrying a coupon rate of 4 % to the Investor for term of three years on 27 May 2021. The net proceeds from the issue of the 2021 Convertible Bonds were approximately HK$25,000,000 and are used for the Group's working capital and the settlement of professional fees.

(d) Various cost control measures

The management of the Group plans to improve the Group's financial performance by taking steps to reduce discretionary expenses and administrative costs.

Nevertheless, should the Group fail to implement the measures as mentioned above, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in these consolidated financial statements.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from 31 December 2020. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

Capital Structure and Gearing Ratio

The shares of the Company were listed on GEM of the Stock Exchange on 17 October 2002. The capital of the Company comprises only ordinary shares. As at 31 December 2020, 7,423,868,369 ordinary shares were issued and fully paid.

	2020		2019	
	Amount	**Relative**	Amount	Relative
	HK$'000	*%*	*HK$'000*	*%*
Bank overdrafts	**–**	**0%**	5,778	0.3%
Loans from shareholders	**90,023**	**10.3%**	589,457	34.9%
Borrowings	**154,560**	**17.6%**	227,040	13.4%
Bonds	**–**	**0%**	1,153,283	68.3%
Promissory note	**48,463**	**5.5%**	115,197	6.8%
Convertible bonds	**866,016**	**98.8%**	–	0%
Lease liabilities	**35,416**	**4.0%**	29,763	1.8%
Total borrowings	**1,194,478**	**136.2%**	2,120,518	125.5%
Equity	**(317,738)**	**(36.2%)**	(431,283)	(25.5%)
Total capital employed	**876,740**	**100%**	1,689,235	100%

The Group's gearing ratio (i.e. the total borrowings to the total capital employed) was approximately 136.2% as at 31 December 2020 (2019: 125.5%).

Foreign Exchange Exposure

The Group's reporting currency is expressed in HK$. For the year ended 31 December 2020, most of the transactions, assets and liabilities of the Group were denominated in HK$ and RMB. During the year under review, since the Group had both HK$ and RMB receipts and payments, the net RMB exposure was not significant. The Board considers that the Group's exposure to foreign exchange risk was not significant; therefore, no hedging transaction was made during the year.

Capital Commitments

As at 31 December 2020, the Group had the following capital commitments:

	2020	2019
	HK$'000	*HK$'000*
		(Audited)
Contracted but not provided for:		
Construction of properties	**85,239**	78,389
Authorised but not contracted for:		
Construction of properties *(Note)*	**356,506**	334,411

Note: Capital commitment for construction in properties related to capital commitment for construction of film studio and hotel in Foshan, the PRC. The authorised amount was approved by the Directors according to the land lease agreements signed between Lux Unicorn Limited, the wholly-owned subsidiary of the Company and the local authority in Foshan, the PRC, in relation to the leasing of lands for development of tourism and related entertainment business and hotel operations. The completion of constructions and commencement of operations of the projects shall be within three and four years respectively from the signing of the lease agreements.

Future Plans for Substantial Investments or Capital Assets

With reference to the announcement of the Company dated 13 December 2017, Foshan Guohao Theme Park Management Company Limited（佛山市國昊景區管理有限公司）(“**Guohao Theme Park**”), a wholly-owned subsidiary of the Company, has entered into a subscription agreement with Guangdong Hongtu Guangdian Investment Co., Ltd.（廣東弘圖廣電投資有限公司）(“**GD Hongtu**”), pursuant to which GD Hongtu will make a capital injection of RMB20 million into the Guohao Theme Park which is the project company for the second phase development of National Arts Film Studio (the “**Second Phase Project**”). The Second Phase Project is planned to have indoor studio and boutique hotel to be constructed next to the first phase of the Studio and the Hotel.

Save as disclosed above, the Group did not have any plan for substantial investments or capital assets.

PETITION FOR THE WINDING UP OF THE COMPANY AND APPLICATION FOR THE APPOINTMENT OF JOINT PROVISIONAL LIQUIDATORS

To facilitate the Company’s financial restructuring, on 14 June 2019, a winding up petition together with the application for the appointment of Mr. Osman Mohammed Arab and Mr. Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, 29/F, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong and Mr. Roy Bailey c/o EY Bermuda Ltd, 3 Bermudiana Road, Hamilton, HM08, Bermuda as joint provisional liquidators (the “**JPLs**”) of the Company on a light touch approach for restructuring purposes (the “**JPL Application**”) was presented and filed with the Supreme Court of Bermuda (the “**Bermuda Court**”) by the Company’s Bermuda Counsel, Conyers Dill & Pearman at the request of the Company.

The JPL Application was heard before the Bermuda Court on the same date at 2:30 p.m. Bermuda time. The Bermuda Court made the orders as sought by the Company under the JPL Application, inter alia, the JPLs have been appointed with immediate effect.

Pursuant to the order made by the Bermuda Court (the “**Bermuda Order**”), the JPLs are granted a wide range of powers, including but not limited to the powers to review the financial position of the Company, to monitor, consult with, oversee and otherwise liaise with the existing Board and the creditors and shareholders of the Company in determining the most appropriate manner of effecting a reorganisation and/or refinancing of the Company, to seek assistance of or recognition in any other courts as may be considered appropriate, and to do all things necessary and incidental to the exercise of the foregoing powers, etc.

By an order of the Honourable Mr. Justice Wilson Chan dated 15 August 2019, (i) the appointment of the JPLs pursuant to the order of the Bermuda Court dated 14 June 2019 was recognized by the High Court of Hong Kong with the powers conferred therein and (ii) the Company shall be permitted to register the transfer of fully paid up shares in the Company. As such, a court order has been in place to allow the transfer of fully paid up shares of the Company.

RESTRUCTURING TRANSACTION

As disclosed in the Company's announcement dated 30 July 2019, on 10 July 2019, as part of the Company's financial restructuring plans, the Company invited all known creditors of the Company (the "**Creditors**") to make an offer to the Company to subscribe for:

(1) 1% annual coupon rate convertible bonds due 2025 to be issued by the Company (the "**Convertible Bonds**") in the principal amount equal to 60% of the outstanding principal amount of debts due and owing by the Company to each of the Creditors (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the relevant debt(s)) and convertible into fully-paid ordinary shares of the Company listed and traded on GEM at the initial conversion price of HK$0.55 per conversion share (the "**Conversion Shares**") (the "**CB Subscription**"); and

(2) new shares of the Company at the issue price of HK$0.38 per share (the "**New Shares**") the total value of which equals to the remaining 40% of the outstanding principal amount of debts due and owing by the Company to each of the Creditors (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the relevant debt(s)) (the "**Share Subscription**") (the CB Subscription and the Share Subscription together referred to as the "**Restructuring Transaction**"), as full and final settlement of all outstanding debts (where applicable, together with interests accrued thereon and calculated up to 14 June 2019 at the respective annual interest rate of the debt(s)) due and owing by the Company to the Creditors, subject to the execution, and the final terms and conditions, of the subscription agreement, the bond instrument, any scheme of arrangement proposed by the Company and/or other agreements the execution of which is desirable for the implementation and consummation of the Restructuring Transaction, as the case maybe.

The offer by the Creditors to participate in the Restructuring Transaction also includes an agreement that the Creditors will participate in, support and vote in favour of a scheme(s) of arrangement proposed by the Company, where such scheme(s) is/are deemed necessary and appropriate by the Company and the JPLs of the Company appointed pursuant to the Order of the Bermuda Court dated 14 June 2019.

As disclosed in the Company's announcement dated 12 August 2019, the Company has received substantial support from its creditors regarding the Restructuring Transaction. In this respect, the Company proposed to put forward a scheme of arrangement pursuant to Section 99 of the Companies Act 1981 of Bermuda and Section 670 of the Companies Ordinance (Cap. 622) of Hong Kong with substantially similar terms under the Restructuring Transaction as disclosed in the announcement of the Company dated 30 July 2019, further details of which are set out in the paragraph headed "Scheme of Arrangement" below.

SCHEME OF ARRANGEMENT

As announced on 19 August 2019, the Company proposed to implement, subject to the approval by the Bermuda Court and the Hong Kong Court, the scheme of arrangement (the "**Scheme**"). Under the Scheme, the Company will issue the New Shares and the Convertible Bonds to the creditors of the Company (the "**Creditors**") to discharge and release the debt owing by the Company to the Creditors in full (the "**Claims**").

Up to 14 June 2019 (the "**Restructuring Order Date**"), based on the available books and records of the Company, the estimated total amount of Claims against the Company is approximately HK$2.13 billion. This figure is indicative only and will be subject to final determination by the scheme administrators and (if applicable) adjudication under the Scheme.

On 4 October 2019, the Company obtained the directions of the Bermuda Court and the Hong Kong Court in the hearing before the Hong Kong Court and the Bermuda Court of the applications for leave to convene the meeting of the Creditors for the purpose of considering and approving, if thought fit, the Scheme by the Creditors (the "**Scheme Meeting**") on 8 November 2019. At such Scheme Meeting, the Scheme was approved by the requisite statutory majorities of the Creditors.

On 10 October 2019, the Company convened the special general meeting ("**SGM**") to consider and approve, if thought fit, the resolutions in relation to the Scheme, all of which were duly passed by way of poll, including the specific mandate granted to the Directors to allot and issue the New Issues and Convertible Bonds and the increase the authorised share capital of the Company from HK$600,000,000 divided into 6,000,000,000 Shares to HK$2,000,000,000 divided into 20,000,000,000 Shares by the creation of additional 14,000,000,000 New Shares. On 27 November 2019, the Company obtained the conditional approval from the Stock Exchange for the listing of, and permission to deal in, the New Shares and Conversion Shares.

With the applications to the Bermuda Court and Hong Kong Court to sanction the Scheme subsequently, the Scheme was sanctioned by the Bermuda Court and Hong Kong Court on 13 December 2019 and 6 January 2020 respectively. The orders sanctioning the Scheme by the Bermuda Court and the Hong Kong Court were respectively registered with the Registrar of Companies in Bermuda on 26 February 2020 and Companies Registry in Hong Kong on 6 March 2020. As all conditions precedent to the Scheme have been fulfilled on 6 March 2020, the Scheme became effective on 6 March 2020.

As announced in the Company's announcement dated 20 March 2020, the Creditors were required to submit their respective notices of Claims together with other documents or other evidence necessary for substantiating their Claims to the scheme administrators on or before 4:00 p.m. on Tuesday, 14 April 2020 (the "**Cut-Off Date**"). The notice to Creditors of the Cut-Off Date was given to all Creditors by letter and by advertisement published in "The Standard" (in English) and "Sing Tao Daily" (in Chinese) circulated in Hong Kong, in "Ta Kung Pao" (in Chinese) circulated in the PRC, and in "The Royal Gazette" (in English) circulated in Bermuda on 20 March 2020.

Based on the final amounts of Claims of each Creditor, on 29 June 2020, 2,155,114,938 New Shares were allotted and issued and Convertible Bonds in the aggregate principal amount of HK$1,244,876,198 were issued to the Creditors.

Upon the issue of the New Shares and Convertible Bonds, all the Claims of the Creditors have been discharged and extinguished and the Creditors are not allowed to make any claim against the Company in respect of their Claims.

Issue of New Shares and Convertible Bonds under Specific Mandate

On 29 June 2020, completion of the Share Subscription and the CB Subscription took place, under which the Company (i) allotted and issued, in aggregate, 2,115,114,938 New Shares at the issue price of HK$0.38 per New Share for settlement of 40% of the Claims held by the Creditors against the Company as at the Restructuring Order Date which have been admitted by the scheme administrators (the "**Admitted Claims**") of the Creditors; and (ii) issued the Convertible Bonds in the aggregate principal amount of HK$1,244,876,198.

Details of the Share Subscription

The New Shares allotted have an aggregate nominal value of up to HK$211,511,493.8. The issue price of HK$0.38 per New Share represents a premium of approximately 84.47% over the closing price of HK$0.206 per Share as quoted on the Stock Exchange on 19 August 2019. The New Shares are subject to a lock-up period of 12 months from the date of completion of the Share Subscription.

Details of the CB Subscription

The value of the Convertible Bonds issued to the Creditors was approximately HK$1,244,876,198, being the sum of (i) up to approximately HK$1,228,415,625 for the aggregation of 60% of the Claims of the Creditors and (ii) HK$16,460,573 for the consent bonus (the "**Consent Bonus**") (being an extra one (1) per cent of the outstanding principal amount of an eligible Creditor's debt (where applicable, together with interests accrued thereon and calculated up to the Restructuring Order Date at the respective annual interest rate of the relevant debt(s)) to be awarded to the eligible Creditors in accordance with the terms of the Scheme). Assuming the exercise in full of the conversion rights (the "**Conversion Rights**") attached to the Convertible Bonds at the initial conversion price of HK$0.55 per Conversion Share, an aggregate of 2,263,411,269 Shares (with an aggregate nominal value of HK$226,341,126.9) will be issued. The maturity date of the Convertible Bonds falls on the day being the fifth (5th) anniversary of the issue date of the Convertible Bonds ("**Maturity Date**"). Subject to the terms and conditions of the Convertible Bonds, the conversion price will initially be HK$0.55 per share, but subject to customary adjustments including but not limited to (i) consolidation or subdivision; (ii) rights issue of shares or rights to acquire shares; (iii) issues of convertible securities; (iv) modification of rights of conversion; (v) other offers to shareholders; and (vi) other events. The initial conversion price of HK$0.55 per Conversion Shares represents a premium of approximately 166.99% over the closing price of HK$0.206 per Share as quoted on the Stock Exchange on 19 August 2019.

The Convertible Bonds bear interest at 1% annual coupon rate payable annually from the issue date of the Convertible Bonds. The conversion period of the Convertible Bonds is from 29 June 2023 to 28 June 2025 during which period the holders of the Convertible Bonds can convert the Convertible Bonds into shares of the Company, provided that no holder of the Convertible Bonds shall exercise any conversion rights attached to the Convertible Bonds to the extent that immediately after such conversion (i) the holder of the Convertible Bonds together with parties acting in concert with it, taken together, will, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or such percentage as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or otherwise being obliged to make a general offer for Shares in accordance with the requirement of the Hong Kong Code on Takeovers and Mergers or (ii) there will not be sufficient public float of the Shares as required under the GEM Listing Rules.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at such amount equivalent to the principal amount of the outstanding Convertible Bonds (inclusive of interests received up to the Maturity Date).

The New Shares were and the Conversion Shares will be allotted and issued under the specific mandate sought from the Shareholders (other than Mr. Sin Kwok Lam ("**Mr. Sin**"), Ms. Law Po Yee ("**Ms Law**"), Mr. Chow Kai Weng ("**Mr. Chow**"), Mr. Tse Young Lai ("**Mr. Tse**") and Mr. Yiu Kin Kong and any Shareholder with a material interest in the Scheme) at the SGM held on 10 October 2019.

The Company obtained the conditional approval from the Stock Exchange for the listing of, and permission to deal in, the New Shares and the Conversion Shares.

Connected Transactions in relation to the Issue of New Shares and Convertible Bonds

Among all Creditors, Mr. Sin, Ms. Law, Mr. Chow and Mr. Tse have loaned to the Company.

At the relevant time, Mr. Sin was then an executive Director, the chairman of the Board, a member of the nomination committee of the Board and a substantial shareholder of the Company. Ms. Law, being the spouse of Mr. Sin, is an associate of Mr. Sin. Immediately before the issue of the New Shares and the Convertible Bonds, Mr. Sin, together with his associate, Ms. Law, was interested in 871,932,623 Shares, representing approximately 17.62% of the total issued share capital of the Company immediately before the issue of the New Shares and the Convertible Bonds.

At the relevant time, Mr. Chow was an executive Director, the associate chairman of the Board and chief executive officer of the Company. Immediately before the issue of the New Shares and the Convertible Bonds, Mr. Chow was interested in 1,000,000 Shares, representing approximately 0.02% of the total issued share capital of the Company immediately before the issue of the New Shares and the Convertible Bonds.

At the relevant time, Mr. Tse was then a substantial shareholder of the Company. Immediately before the issue of the New Shares and the Convertible Bonds, Mr. Tse was interested in 563,547,600 Shares, representing approximately 11.39% of the total issued share capital of the Company immediately before the issue of the New Shares and the Convertible Bonds.

Up to the Restructuring Order Date, the total amounts respectively due to Mr. Sin, Ms. Law, Mr. Chow and Mr. Tse (including the interests accrued thereon and calculated up to the Restructuring Order Date at the respective interest rate of the relevant Claim(s)) are illustrated as follows:

	HK$
Mr. Sin	647,333,195
Ms. Law	29,270,746
Mr. Chow	36,341,433
Mr. Tse	1,892,584
	714,937,958

Under the Scheme, Mr. Sin, Ms. Law, Mr. Chow and Mr. Tse shall have the same entitlement as the other Creditors. Pursuant to the terms of Scheme and based on the available books and records of the Company, the entitlement of Mr. Sin, Ms. Law, Mr. Chow and Mr. Tse under the Scheme respectively were as follows:

	Mr. Sin	**Ms. Law**	**Mr. Chow**	**Mr. Tse**
Share Subscription				
Value of New Shares issued	HK$258,933,278	HK$11,708,299	HK$14,536,573	HK$757,033
Issue price	HK$0.38	HK$0.38	HK$0.38	HK$0.38
Number of New Shares issued	681,403,362 New Shares	30,811,311 New Shares	38,254,139 New Shares	1,992,193 New Shares
CB Subscription				
Principal amount (including Consent Bonus)	HK$394,873,248.65	HK$17,855,155.26	HK$22,168,274.04	HK$1,154,476.00
Maximum Conversion Shares upon full conversion	717,951,361	32,463,918	40,305,952	2,099,047

All of Claims of Mr. Sin, Ms. Law, Mr. Chow and Mr. Tse have been discharged pursuant to the Scheme and the treatment to be received by them under the Scheme is the same as those to other Creditors.

Immediately upon completion of the connected transactions, Mr. Sin (together with his associate, Ms. Law), Mr. Chow and Mr. Tse were respectively interested in 1,584,147,296 Shares, 39,254,139 Shares and 565,539,793 Shares, representing approximately 21.54%, 0.53% and 7.69% of the total issued share capital of the Company as enlarged by the allotment and issuance of the New Shares and the OPAL Fee Shares (as defined below).

Adjustments in relation to the Convertible Bonds

As a result of the Capital Reorganisation as set out in the paragraph headed "Capital Reorganisation" below, with effect from 16 September 2021, the number of Conversion Shares that will be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds and the conversion price have been adjusted from 2,263,411,269 Conversion Shares to 226,341,126 Conversion Shares and from HK$0.55 to HK$5.5.

Issue of Shares under Specific Mandate in relation to Advisory Service of Financial Adviser

As disclosed in the Company's announcement dated 26 August 2019 and the circular of the Company dated 20 September 2019, the Company has appointed Oriental Patron Asia Limited ("**OPAL**"), a licensed corporation to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, as the financial adviser to the Company (the "**Appointment of Financial Adviser**") to advise on and assist in formulating and overseeing a potential financial restructuring as to improving the Company's financial position. Regarding the payment of advisory fee (the "**Advisory Fee**"), after arm's length negotiations, OPAL agreed to receive the newly issued shares of the Company to settle the Advisory Fee. On 26 August 2019, the supplemental mandate letter (as to supplement the original mandate letter signed in May 2019) has been entered into between the Company and OPAL, pursuant to which the Advisory Fee was agreed to be paid by the Company to OPAL in the form of issuing and allotting 250,000,000 newly issued and fully paid-up Shares (the "**OPAL Fee Shares**") which is subject to subject to a lock-up period of 12 months from the date of the issuance and such OPAL Fee Shares were issued and allotted to OPAL simultaneously with the New Shares issued to the Creditors under the Scheme on 29 June 2020.

The issue of OPAL Fee Shares was subject to the approval of the Shareholders at the SGM and the Stock Exchange granting the listing of, and permission to deal in, the OPAL Fee Shares. The Company obtained the conditional approval from the Stock Exchange for the listing of, and permission to deal in, the OPAL Fee Shares. The Directors obtained the specific mandate granted to allot and issue the OPAL Fee Shares at the SGM held on 10 October 2019.

The 250,000,000 OPAL Fee Shares were allotted and issued to OPAL on 3 August 2020.

Further details of the Scheme are set out in the Company's announcements dated 19 August 2019, 8 October 2019, 14 October 2019, 8 November 2019, 19 November 2019, 27 November 2019, 15 December 2019, 7 January 2020, 25 February 2020, 6 March 2020, 20 March 2020, the circular of the Company dated 20 September 2019, the poll results announcement of the Company dated 10 October 2019 and the next day disclosure returns of the Company dated 30 June 2020 and 3 August 2020.

PROPOSED GRANT OF SHARE SUBSCRIPTION FACILITY TO THE COMPANY AND PROPOSED ISSUE OF NEW SHARES AND WARRANTS UNDER SPECIFIC MANDATE

On 13 March 2020, the Company entered into the SSF Agreement with, among others, the Investor (as amended and supplemented by the supplemental agreements dated 27 July 2020 and 29 August 2020 respectively), pursuant to which:

(1) the Investor has agreed to grant the Company, the Share Subscription Facility and the Option to require the Investor to subscribe for Shares (the "**Option Shares**") of up to HK$2,350,000,000 (the "**Total Commitment**") in value at the Subscription Price (as defined below) during the period commencing on the date of the SSF Agreement and expiring on the earlier of: (a) the third anniversary of the date of the SSF Agreement (the "**Commitment Period**"); and (b) the date on which the Investor has subscribed for shares in the Company with an aggregate subscription price of HK$2,350,000,000 (excluding shares to be issued upon exercise of the Warrants (as defined below) pursuant to the SSF Agreement; and

(2) the Company has agreed to issue to the Investor the Warrants to subscribe for Shares (the "**Warrant Shares**") by the Investor Agreement which entitle the Investor to purchase up to 383,000,000 Shares at Warrant Exercise Price (as defined below) during the Warrant Exercise Period (as defined below).

It is also provided in the SSF Agreement (as supplemented and amended) that:

(1) the maximum shareholding of the Investor (or its associates (as defined in the GEM Listing Rules)) in the Company shall in any event be less than 10% of the issued share capital of the Company such that the Investor will not become a substantial shareholder (as defined in the GEM Listing Rules) and a connected person (as defined in the GEM Listing Rules);

(2) in the event that the Determined Price (as defined below) is higher than the Floor Price (as defined below) and the Minimum Threshold Price (as defined below), the Investor shall be obliged to subscribe for a number of Shares which is not less than 50% and not more than 200% of the Pricing Period Obligation (as defined in the SSF Agreement) at the Determined Price; and

(3) in the event that the Determined Price is lower than the Floor Price or the Minimum Threshold Price, no Option Shares will be issued to the Investor by the Company.

Warrant Exercise Period shall mean the period commencing from the date on which the conditions precedent to the SSF Agreement are fulfilled (the "**Warrant Delivery Date**") to the third (3rd) anniversary of the Warrant Delivery Date or, if such day is not a business Day, the immediately following business day.

Warrant Exercise Price shall mean the subscription price of each Warrant Share, initially being HK$0.23 per Warrant Share (subject to adjustment) or if on the first anniversary of the Warrant Delivery Date, the market price of a Share is less than a sum equal to 90 per cent. of the Warrant Exercise Price on such date, the relevant Warrant Exercise Price shall be a sum equal to 105 per cent, of such market price.

The initial Warrant Exercise Price of HK$0.23 represented:

(i) a premium of approximately 24.32% to the closing price per share of the Company of HK$0.185 as quoted on the Stock Exchange on 13 March 2020, being the date of the SSF Agreement;

(ii) a premium of approximately 23.79% to the average of the closing prices of the shares of the Company as quoted on the Stock Exchange in the five (5) trading days immediately preceding the date of the SSF Agreement, being HK$0.1858 per share; and

(iii) a premium of approximately 23.32% to the average of the closing prices of the shares of the Company as quoted on the Stock Exchange in the ten (10) trading days immediately preceding the date of the SSF Agreement, being HK$0.1865 per share.

Subscription Price shall mean the higher of (i) the Determined Price; (ii) the Floor Price; and (iii) the Minimum Threshold Price.

Determined Price shall mean 90% of the average of the closing bid prices during the pricing period, ignoring for the purposes of such calculation any Knockout Day.

Floor Price shall mean the price fixed at a discount of 20% to the benchmarked price (as referred and defined in Rule 17.42B of the GEM Listing Rules) of the Share.

Minimum Threshold Price shall mean HK$0.19 per Share (subject to adjustment in case of subdivision or combination of Shares).

Knockout Day shall mean any trading day during a pricing period: (a) on which the Shares are not traded on GEM or trading of the Shares thereon is suspended for more than one hour; or (b) in respect of which the Investor has made an election to treat such trading day as a Knockout Day.

Conditions Precedent to the SSF Agreement

The Option of the Company to require the Investor to subscribe the Shares and the obligation of the Company to issue the Warrants to the Investor are conditional upon the following conditions precedent:

(a) compliance by the Company of all applicable laws, rules and regulations in Hong Kong and Bermuda, including but not limited to, the GEM Listing Rules for the entering into of the Agreement, the issue of the Option Shares and the Warrant Shares, the Warrants and all the other transactions contemplated thereunder; and

(b) the Stock Exchange having granted the listing of, and permission to deal in, the Option Shares and the Warrant Shares.

If the above conditions precedent are not satisfied or fulfilled within six (6) months from the date of the SSF Agreement (or such later date as the Investor and the Company may agree in writing), the SSF Agreement shall be terminated and shall cease to have any further effect and no party to the Agreement shall have any claim under the SSF Agreement against the other party save in respect of any antecedent breach, provided that the Company shall pay the Investor's fees and expenses in accordance with the terms of the SSF Agreement.

Option Shares and Warrant Shares

Assuming that the Option Shares will be issued at the closing price of the share as at the date of the SSF Agreement of HK$0.185 per Option Share and based on the total commitment of HK$2,350 million, a total of 10,217,391,304 Option Shares will be allotted and issued upon the full exercise of the Option, representing approximately 206.49% of the then existing issued Shares of 4,948,170,452 as at the date of the SSF Agreement or 67.37% of the issued share capital of the Company as enlarged by the allotment and issue of such 10,217,391,304 Option Shares.

The 383,000,000 Warrant Shares represent approximately 7.74% of the then existing issued Shares as at the date of the SSF Agreement or approximately 7.18% of the issued share capital of the Company as enlarged by the allotment and issue of such 383,000,000 Warrant Shares.

The Warrant Shares would be issued under the specific mandate sought at SGM held on 5 October 2020 for the Shareholders to consider the approve the SSF Agreement and the transactions contemplated thereunder and the issue of the Warrant Shares.

Application has been made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in the Warrant Shares.

The Company proposes to utilise the general mandate granted pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 30 July 2020 (or any other general mandates to allot and issue Shares approved by the Shareholders on a later date, collectively, the "**General Mandate**") to the Directors to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution to allot and issue the Option Shares which may be issued under the SSF Agreement.

If the existing General Mandate is fully utilised or is about to fully utilised or the General Mandate is insufficient for the allotment and issuance of the Option Shares which may be issued in the next tranche(s) of subscription of the Option Shares, the Company will convene a special general meeting of the Company to obtain the Shareholders' approval to refresh the General Mandate for the subsequent issuance of the remaining Option Shares. If the refreshment of the existing General Mandate is made pursuant to Rule 17.42A(1) of the GEM Listing Rules, a circular will be issued and the Company will seek approval of the refreshment of the General Mandate by the independent shareholders by way of an ordinary resolution at the special general meeting. The refreshment of general mandate of the Company is expected to continue until the Share Subscription Facility of HK$2,350 million is fully utilised.

For each tranche of subscription of the Option Shares, an application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in the Option Shares.

Reason for entering into the SSF Agreement

The Board is of the view that issue of the Option Shares and the Warrant Shares offers a good opportunity to raise additional capital for the Company and to strengthen the financial position of the Company. Given that the Company shall have the right but not an obligation to deliver notice to the Investor to subscribe for the Option Shares during the Commitment Period and exercise the Option at its discretion, the Directors consider that the Group will have flexibility in raising funds by exercising the Option during the Commitment Period. The arrangement under the SSF Agreement effectively gives the Group access to a readily available source of financing and the right to raise funds by the delivery of at any time during the Commitment Period when the Board considers such delivery is favourable to the Company. By comparison, the Board considers that with current sluggish market sentiment and recent interest rate hike, the Company would be difficult to secure any debt financing of comparable size from banks or financial institutions. The Board is further of the view that the high gearing ratio of the Group would result in the Group having less favourable financing terms offered by banks and other financial institutions.

The Company has been exploring opportunities to diversify into new businesses to mitigate the risks of being in the lines of business in film and hotel industries and to deliver long-term and stable cash flow and creating favourable investment returns for the Shareholders.

Accordingly, the Directors consider that the SSF Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms of the SSF Agreement, among others, the mechanism to fix the Minimum Threshold Price and the Warrant Exercise Price, are fair and reasonable.

For each tranche of the subscription of the Option Shares, the Company will issue an announcement setting out the Subscription Price, the number of Option Shares to be subscribed by the Investor, the intended use of proceeds, the aggregate issued Shares and the balance of the General Mandate (as defined below) to keep the Shareholders and the potential investors informed.

Proposed use of net proceeds of the Option Shares and the Warrant Shares

Assuming the Total Commitment is received in full from issuance of the Option Shares, the gross proceeds (before expenses) and the estimated net proceeds will be HK$2,350 million and HK$2,278.5 million respectively. The net issue price of the Option Share will be HK$0.223. The Company intends to apply the net proceeds from the issuance of the Option Shares as follows:

(a) up to HK$250 million for repayment of the liabilities of the Group, including borrowings of HK$64 million, trade payables of HK$36 million, tax payable of HK$20 million, rental payable of HK$18 million, loan interests payable of HK$16 million, payables to studio event business partners of HK$27 million, construction cost payable of HK$65 million and other payables of HK$4 million;

(b) up to HK$200 million for general working capital of the Group, including restructuring cost of HK$60 million, salaries of HK$50 million, repair and maintenance of HK$35 million, purchase of hotel materials of HK$20 million, rental of HK$10 million and other expenses of HK$25 million;

(c) up to HK$328.5 million for expansion and upgrading of the Studio and the Hotel. The Company plans to construct six new film studios and two 3-star hotels with 800 rooms in aggregate adjacent to the existing facilities of the Group in Foshan City, Guangdong Province; and

(d) up to HK$1,500 million for investment in potential projects. Currently, the Company is exploring investment opportunities in business segments of promising prospect, including but not limited to virtual banking business, online e-commerce business and consumer finance business. As at the date of this announcement, the Company has not entered into any informal or formal agreement in respect of any acquisition targets. Further announcement will be made by the Company in respect of its acquisition(s) as and when appropriate in compliance with the GEM Listing Rules.

The SSF Agreement and all actions taken or to be taken by the Company pursuant to the SSF Agreement were generally and unconditionally approved, ratified and confirmed and the specific mandates was granted to the Directors to allot and issue 383,000,000 Warrant Shares at the exercise price of HK$0.23 each (subject to adjustment) in the SGM held on 5 October 2020.

The Warrants were issued by the Company in January 2021.

Adjustments in relation to the Warrants

As a result of the Capital Reorganisation as set out in the paragraph headed "Capital Reorganisation" below, with effect from 16 September 2021, the Warrant Shares which will be allotted and issued upon the exercise of the subscription rights of the Warrants and the Warrant Exercise Price have been adjusted from 383,000,000 Warrant Shares to 38,300,000 Warrant Shares and from HK$0.23 to HK$2.3.

Assuming full issuance of the Warrant Shares, the estimated net proceeds will be approximately HK$88 million, which is intended to be applied as to (i) HK$70.4 million for early redemption of the Convertible Bonds; (ii) HK$10 million for restructuring cost; and (iii) HK$7.6 million for operating expenses relating to hotel and studio business in China. The net issue price of the Warrant Share will be HK$2.3.

As disclosed in the announcement of the Company dated 11 May 2021, as under the Share Subscription Facilities, the number of Shares that could be subscribed is based on the trade volume of the Shares, and the subscription price is based on the 10 per cent discount to the closing price of the Shares. As the trade volume of the Shares is not sufficient to meet the funding requirement and the current market price of the Shares is below par value (the Company cannot issue the Shares below par under the Bermuda law). Therefore, the Company is unable to utilize the facilities under the Share Subscription Facilities at the moment, and the Company proceeded to issue the 2021 Convertible Bonds instead of using the Share Subscription Facilities.

Details of the SSF Agreement, the issue of the Option Shares and the Warrants are set out in the Company's announcements dated 13 March 2020, 27 July 2020, 31 August 2020 and 11 May 2021, the Company's circular dated 11 September 2020 and the Company's poll results announcement dated 5 October 2020.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the name of the Company from "National Arts Entertainment and Culture Group Limited" to "National Arts Group Holdings Limited" and adopt the Chinese name "國藝集團控股有限公司" as its official Chinese name ("**Change of Company Name**"). The Board will propose special resolution at the forthcoming SGM for considering, and if thought fit, approving the Change of Company. The reason for changing the Company's name is precisely to reflect the direction of the diversification of business in order to reduce the risk of single business segments. The Board believes that the proposed new English and Chinese names of the Company will provide the Company with better identification of the principal business of the Group. As such, the Board is of the view that the proposed Change of Company Name is in the interests of the Company and the Shareholders as a whole. The proposed Change of Company Name is subject to the following conditions: (i) the passing of the special resolution by the Shareholders at the SGM approving the Change of Company Name; and (ii) the Registrar of Companies in Bermuda approving the Change of Company Name and entering the proposed new English and Chinese name of the Company into the register of companies.

The special resolution approving the Change of Company Name was passed at the SGM held on 5 October 2020 by the Shareholders.

Subsequent to the passing of the special resolution in respect of the Change of Company Name by the Shareholders at the SGM, the Change of Company Name is still subject to the approval by the Registrar of Companies in Bermuda, which will take effect upon the date of the issue of a Certificate of Incorporation on the Change of Company Name by the Registrar of Companies in Bermuda. The Company will then carry out all necessary registration and filing procedures with the Companies Registry in Hong Kong. Further announcement(s) will be issued by the Company to inform the Shareholders of the effective date of the Change of Company Name, the new stock short names for trading of the securities of the Company on the Stock Exchange, the new logo and the new website of the Company as and when appropriate.

Further details of the proposed Change of Company Name are set out in the Company's announcement dated 23 March 2020, the Company's circular dated 11 September 2020 and the Company's poll results announcement dated 5 October 2020.

POSSIBLE OFFER FOR CONVOY GLOBAL HOLDINGS LIMITED

As disclosed in the Company's announcement dated 26 March 2020, the Board is discussing with certain shareholders of Convoy Global Holdings Limited (stock code: 1019) ("**Convoy**") in relation to a possible acquisition of the issued shares of Convoy (the "**Convoy Shares**") by the Company in the consideration of the Company's new shares (the "**Possible Share Exchange Transaction**"). The Possible Share Exchange Transaction did not proceed further.

Possible Offer

On 22 June 2020, the Board approached the board of directors of Convoy (the "**Convoy Board**") about a conditional voluntary share exchange offer by the Company to acquire all of the issued shares in the share capital of Convoy, subject to fulfilment of certain conditions (the "**Possible Offer**").

Following the approach, the Board discussed with the Convoy Board further details of the Possible Offer, including how and when the Possible Offer could be made, bearing in mind the financial and other information which would be required to be included in documentation to be sent to shareholders of the Company and Convoy in relation to the Possible Offer.

Based on the latest published audited accounts of Convoy for the financial year ended 31 December 2016, the Board expected that the Possible Offer, if it were to proceed, would constitute either a major transaction or a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. This would involve consent from shareholders of the Company and require publication of extensive financial information about Convoy and its subsidiaries which was then not available.

On 14 August 2020, the Company received a letter from the Listing Division of the Stock Exchange informing the Company its decision that the Possible Offer will constitute a reverse takeover of the Company under Rule 19.06B of the GEM Listing Rules and the Company will be treated as a new listing applicant under Rule 19.54 of the GEM Listing Rules if the Possible Offer were to proceed (the "**Decision**").

The Board disagreed with the Decision and had submitted a formal request to the Stock Exchange for a review of the Decision by the GEM Listing Committee of the Stock Exchange pursuant to Rule 4.06(1) of the GEM Listing Rules (the "**Review**").

The hearing for Review by the GEM Listing Committee of the Stock Exchange (the "**Review Hearing**") took place on 4 November 2020. On 23 November 2020 the GEM Listing Committee informed National Arts that it upheld the Decision on 23 November 2020 citing the same reason for the Decision by the Listing Division (the "**GEM Listing Committee Decision**").

The Company disagreed with the GEM Listing Committee Decision, and had submitted a formal request to the secretary of the GEM Listing Review Committee of the Stock Exchange on 2 December 2020 for a review of the GEM Listing Committee Decision by the GEM Listing Review Committee of the Stock Exchange pursuant to Rule 4.06(2) of the GEM Listing Rules (the "**GEM Listing Review Committee Review**").

Nonetheless, given the GEM Listing Committee Decision and foreseeable obstacles, on 24 November 2020, the Company approached the Convoy Board about a pre-conditional voluntary partial share exchange offer (the "**Proposed Partial Share Exchange Offer**"). Completion of the Proposed Partial Share Exchange Offer is subject to fulfilment or waiver of certain conditions.

Following the approach, the Board discussed with the Convoy Board further details of the Proposed Partial Share Exchange Offer, including how and when it can be made, bearing in mind the financial and other information which would be required to be included in documentation to be sent to shareholders of the Company and Convoy in relation to the Proposed Partial Share Exchange Offer.

As certain applicable percentage ratios (as defined under the GEM Listing Rules) for the Company in respect of the transactions in connection with the Proposed Partial Share Exchange Offer exceed 25% but all of the percentage ratios are less than 100%, the Proposed Partial Share Exchange Offer, if it were to proceed, would constitute a major transaction for the Company under the GEM Listing Rules, and the Proposed Partial Share Exchange Offer together with the allotment and issue of new Shares by way of specific mandate are therefore conditional upon, among other things, the approval of the shareholders of the Company at a special general meeting.

As disclosed in the joint announcement of the Company and Convoy dated 15 March 2021, the Board has come to a decision to discontinue pursuing the Proposed Partial Share Exchange Offer given it has taken longer than the Board has originally anticipated.

In place of the withdrawal of the Proposed Partial Share Exchange Offer, the Company and Convoy are currently exploring other avenues of cooperation but no concrete plan has been formed as at the date of this announcement.

Further announcements will be made by Convoy and the Company pursuant to the requirements of the Listing Rules and the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") as and when required. Convoy and the Company consider that the withdrawal of the Proposed Partial Share Exchange Offer will not have any material adverse effect on the existing financial position or business operations of Convoy or the Company.

For the purposes of the Takeovers Code, the offer period of the Company commenced on 29 July 2020 and ended on 15 March 2021.

On 11 August 2021, the Board has decided to withdraw the Request for the GEM Listing Review Committee Review.

Shares of the Company issued to its financial adviser

The Company had appointed Yu Ming Investment Management Limited ("**Yu Ming**"), a licensed corporation to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571), as financial adviser to advise the Company on the Possible Offer and transactions contemplated thereunder. Yu Ming is wholly-owned by Da Yu Financial Holdings Limited (Stock Code: 1073). Based on the best knowledge and belief of Yu Ming and the Company, Yu Ming's ultimate substantial shareholders are third parties independent of the Company and its connected persons. To preserve cash resources of the Company, the Company proposed to pay Yu Ming its financial advisory fees for the Possible Offer by way of issuing new shares of the Company (the "**Yu Ming Fee Shares**") at the issue price of HK$0.185, equivalent to the closing price of the Company's shares on the last trading date prior to suspension of trading on 23 June 2020.

The number of Yu Ming Fee Shares issued to Yu Ming is fixed and is not subject to any further changes. Yu Ming's advisory fee is non-refundable and not contingent upon the status or development of the Possible Offer and transactions contemplated thereunder. The Yu Ming Fee Shares would rank pari passu in all respects with the Company's shares in issue as at the date of issuance. The issue and listing of, and permission to deal in, the Yu Ming Fee Shares are subject to approval from relevant regulators. The Company obtained the approval from Stock Exchange for the listing of, and permission to deal in, the Yu Ming Fee Shares.

A total of 54,054,054 Yu Ming Fee Shares were allotted and issued to Yu Ming on 13 August 2020.

The Company also appointed Yu Ming to act as its financial adviser in respect of the Review and would pay Yu Ming's financial advisory fees of HK$2,000,000 by way of issuing new shares of the Company at the issue price of HK$0.121 per share (the "**Yu Ming Review Fee Shares**").

The number of Yu Ming Review Fee Shares issued to Yu Ming is fixed and is not subject to any further changes. Yu Ming's advisory fee is non-refundable and not contingent upon the outcome of the Review.

The Yu Ming Review Fee Shares would rank pari passu in all respects with the shares of the Company in issue as at the date of issuance and was allotted and issued under the general mandate granted to the Board on 30 July 2020. The issue and listing of, and permission to deal in, the Yu Ming Review Fee Shares are subject to approval from relevant regulators. The Company obtained the approval from Stock Exchange for the listing of, and permission to deal in, the Yu Ming Review Fee Shares.

A total of 16,528,925 Yu Ming Review Fee Shares were allotted and issued to Yu Ming on 20 November 2020.

Details of the Possible Offer are set out in the joint announcements of the Company and Convoy dated 29 July 2020, 28 August 2020, 28 September 2020, 28 October 2020, 27 November 2020, 24 December 2020, 25 January 2021, 25 February 2021 and 15 March 2021, the announcements of the Company dated 30 July 2020, 17 August 2020, 21 August 2020, 3 September 2020, 30 October 2020, 2 December 2020 and 11 August 2021 and the next day disclosure returns of the Company dated 13 August 2020 and 20 November 2020.

EVENTS AFTER REPORTING PERIOD

Discloseable Transaction – Acquisition of the Target Company

On 29 January 2021, the Company entered into a sale and purchase agreement (the "**Agreement**") with Advanced Oasis International Holding Limited (the "**Seller**") and Chu Hin Ming, Alfonso (the "**Guarantor**"), pursuant to which the Company has conditionally agreed to acquire from the Seller the entire issued share capital of Majestic Bravo Limited (the "**Target Company**", together with its subsidiaries, the "**Target Group**") at the consideration of HK$90,000,000 (the "**Consideration**") (the "**Acquisition**"), which shall be settled by the allotment and issue of 900,000,000 shares of the Company (the "**Consideration Shares**") by the Company to the Seller upon completion of the Acquisition ("**Completion**").

Upon completion of the proposed restructuring to be taken by the Target Company prior to Completion (the "**Restructuring**"), the Target Company will through its subsidiaries hold 100% ownership of the 26 units service apartment of Golden Straits Morib, situated at Kawasan Kanchong Laut Mukim Morib Banting State of Selangor, Malaysia (the "**Target Apartments**").

Each of the Seller and the Guarantor agreed and undertook with the Company that unless with the prior written consent of the Company, the Seller shall not, whether directly or indirectly, (1) at any time during the period of 6 months following the date of Completion (the "**Completion Date**"), dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the 900,000,000 Consideration Shares issued and allotted by the Company to the Seller at Completion pursuant to the Agreement or any interest therein or any voting right or any other right attaching thereto; and (2) at any time during the period of 12 months following the Completion Date, dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the 450,000,000 New Shares issued and allotted by the Company to the Seller at Completion pursuant to the Agreement or any interest therein or any voting right or any other right attaching thereto.

Conditions precedent

Completion is subject to the fulfilment or (if applicable) waiver of the following conditions precedent:

a. the Company being satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Company may consider necessary) on the Target Group and its assets, liabilities, activities, operations, prospects and other status which the Company, its agents or professional advisers think reasonably necessary and appropriate to conduct;

b. the receipt by the Company of a legal opinion(s) on the Target Group and the Target Apartments (in the form and substance to the satisfaction of the Company) issued by qualified legal adviser(s) acceptable to the Company and the Company's lawyer;

c. the receipt by the Company of a valuation report issued by an independent professional valuer acceptable to the Company showing the value of the Target Apartments as at a date not more than 3 months before the Completion Date being not less than HK$90,000,000;

d. the receipt by the Company of the management account of the Target Group up to the date which is not more than 1 week before the Completion Date;

e. the receipt of all such waivers, consents or approvals by the Company in relation to the completion of the transactions contemplated under the Agreement, including but not limited to the approvals from the Stock Exchange and/or the Securities and Futures Commission;

f. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;

g. completion of the Restructuring; and

h. the representations, warranties and undertakings by the Seller and the Guarantor in the Agreement remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and the Completion Date.

Conditions (b), (c), (e), (f) and (g) are not capable of being waived by any Parties. The Company may waive conditions (a), (d) and (h).

If all the conditions above shall not be fulfilled or (if applicable) waived at or before 5 p.m. on 30 April 2021 (or such later day as the Seller and the Company may agree in writing), then the Agreement shall cease and determine and none of the parties shall have any obligations and liabilities under the Agreement save for any antecedent breaches.

Guarantee by the Seller and the Guarantor

Pursuant to the Agreement, the Seller will lease the Target Apartments from the Company for its operations, and the Seller, together with the Guarantor, irrevocably warrant to and guarantee with the Company that the Company shall generate and receive from the Target Apartments the following minimum return for the five years commencing on 1 January 2023, failing which, each of the Guarantor and the Seller shall forthwith indemnify the Company such shortfall on a dollar-to-dollar basis in full:

1st year (i.e. 1 January 2023 to 31 December 2023) – 3.5% of the Consideration;

2nd year (i.e. 1 January 2024 to 31 December 2024) – 4.25% of the Consideration;

3rd year (i.e. 1 January 2025 to 31 December 2025) – 4.75% of the Consideration;

4th year (i.e. 1 January 2026 to 31 December 2026) – 5.25% of the Consideration; and

5th year (i.e. 1 January 2027 to 31 December 2027) – 5.75% of the Consideration.

Reference is made to the announcement of the Company dated 29 January 2021 in relation to the Agreement entered into for the acquisition of Majestic Bravo Limited. As at 24 March 2021, all conditions precedent of both parties have been fulfilled and 900,000,000 Consideration Shares have been allotted and issued to the Seller.

Implications under the GEM Listing Rules

Given that the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and are subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

Completion took place on 24 March 2021. The Consideration has been settled by the allotment and issue of 900,000,000 Consideration Shares to the Seller.

Further details of the Acquisition are set out in the Company's announcements dated 29 January 2021 and 24 March 2021 and the next day disclosure return of the Company dated 24 March 2021.

Letter of Intent for Subscription of L'officiel Inc.

On 17 April 2021, the Company and L'Officiel Inc SAS ("**L'Officiel**") (the Company together with L'Officiel being the "**Parties**", and individually, a "**Party**") entered into a binding letter of intent (the "**Subscription LOI**"), in relation to the subscription of new shares of L'Officiel (the "**L'Officiel Subscription**"), which is subject to approval by the shareholders of L'Officiel at a general meeting of the shareholders of L'Officiel to be convened on or before 15 May 2021.

Pursuant to the Subscription LOI, the Company conditionally agrees to subscribe for, and L'Officiel conditionally agrees to allot and issue such number of ordinary shares equivalent to ten percent (10%) of the equity of L'Officiel, credited as fully paid up, out of the unissued authorised capital stock of L'Officiel (together, the "**Target Shares**"). In consideration of the agreement for L'Officiel to issue the Target Shares to the Company, the Company undertakes to settle the subscription monies for the Target Shares by the allotment and issue of 500,000,000 ordinary shares at HK$0.10 each, credited as fully paid up, out of the unissued authorised capital stock of the Company (the "**Consideration Shares**") to L'Officiel.

The Parties agree that the Parties shall negotiate and finalise the details of the L'Officiel Subscription and incorporate the terms and conditions of the Subscription LOI into the definitive agreement (the "**Definitive Agreement**") and enter into such definitive agreement prior to 15 May 2021, or such other date as may be mutually agreed in writing by the Parties.

The Definitive Agreement will contemplate a separate license agreement granting to the Company certain mutually agreed rights to the content of L'Officiel and its subsidiaries. These rights will enhance the Company's film, television, documentary and short video production capabilities, by allowing for increased engagement with L'Officiel's and its subsidiaries' extensive archive database of several hundred thousand media items.

Further details of the Subscription LOI are set out in the Company's announcement dated 18 April 2021.

Issue of Convertible Bonds under General Mandate

On 17 April 2021, the Company entered into the Subscription Agreement with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the 2021 Convertible Bonds on the terms and subject to conditions set out therein (the "**2021 CB Subscription**").

Upon full conversion of the 2021 Convertible Bonds at the conversion price of HK$0.10 per conversion share (the "**2021 Conversion Share**") (subject to adjustments), a total of 250,000,000 2021 Conversion Shares will be issued. The 2021 Conversion Shares will be allotted and issued pursuant to the General Mandate.

The initial conversion price of the 2021 Convertible Bonds of HK$0.1 represented:

(i) a premium of approximately 66.67% to the closing price of the shares of the Company of HK$0.06 per share as quoted on the Stock Exchange on 16 April 2021 (being the last trading date immediately before the date of the Subscription Agreement); and

(ii) a premium of approximately 68.35% to the average closing price of the shares of the Company of approximately HK$0.0594 per share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding 16 April 2021.

As a result of the Capital Reorganisation as set out in the paragraph headed "Capital Reorganisation" below, with effect from 16 September 2021, the number of 2021 Conversion Shares that will be allotted and issued upon the exercise of the conversion rights attached to the 2021 Convertible Bonds and the conversion price have been adjusted from 250,000,000 2021 Conversion Shares to 25,000,000 2021 Conversion Shares (representing approximately 3% of the existing issued capital of the Company as at the date of this announcement and approximately 2.92% of the issued share capital of the Company as enlarged the issue of the 2021 Conversion Shares) and from HK$0.10 to HK$1.0.

The gross proceeds and net proceeds from the issue of the 2021 Convertible Bonds is HK$25,000,000 and approximately HK$25,000,000 respectively. The net conversion price (based on initial conversion price of HK$0.1) is approximately HK$0.1. The Group intended to use all the net proceeds as follows:

(i) approximately HK$5 million for repayment of other accrued expenses of the Group;

(ii) approximately HK$5 million for payment of rental & office expenses of the Group;

(iii) approximately HK$5 million for payment of salary of the staff of the Group;

(iv) approximately HK$1 million for payment of general office expenses of the Group;

(v) approximately HK$5 million for settlement of the PRC tax; and

(vi) the balance for settlement of the professional fees.

As at the date of this announcement, the Group has utilized all the net proceeds from the issue of the 2021 Convertible Bonds in the manner set out above.

The 2021 CB Subscription and the issue of 2021 Conversion Shares under the General Mandate are not subject to the approval of the shareholders of the Company. No application will be made for the listing of the 2021 Convertible Bonds on the Stock Exchange or any other stock exchange. An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 2021 Conversion Shares. The 2021 Convertible Bonds were issued by the Company in May 2021.

As disclosed in the announcement of the Company dated 11 May 2021, as under the Share Subscription Facilities, the number of Shares that could be subscribed is based on the trade volume of the Shares, and the subscription price is based on the 10 per cent discount to the closing price of the Shares. As the trade volume of the Shares is not sufficient to meet the funding requirement and the current market price of the Shares is below par value (the Company cannot issue the Shares below par under the Bermuda law). Therefore, the Company was unable to utilize the facilities under the Share Subscription Facilities at the relevant time, and the Company proceeded to issue the 2021 Convertible Bonds.

Further details of the 2021 CB Subscription are set out in the Company's announcements dated 18 April 2021 and 11 May 2021.

Capital Reorganisation

As disclosed in the Company's announcement dated 19 July 2021, the Board proposed to implement the capital reorganisation (the "**Capital Reorganisation**") which comprised the following:

(1) Share Consolidation

The share consolidation (the "**Share Consolidation**") was on the basis that every ten (10) issued and unissued existing shares of par value HK$0.10 each in the share capital of the Company (the "**Existing Shares**") shall be consolidated into one (1) consolidated share of par value of HK$1.00 each (the "**Consolidated Shares**"). The total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation is 832,386,836 Consolidated Shares after cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation.

(2) Capital Reduction

Immediately upon the Share Consolidation becoming effective, the share capital of the Company has been reduced (the "**Capital Reduction**") whereby:

(i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled;

(ii) the issued share capital of the Company of HK$832,386,836 divided into 832,386,836 Consolidated Shares shall be reduced to HK$8,323,868.36 divided into 832,386,836 new shares of the Company by cancelling the paid-up capital of the Company to the extent of HK$0.99 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK$1.00 to HK$0.01;

(iii) the credit arising from the Capital Reduction in the amount of approximately HK$824,062,967.64 shall be credited to the contributed surplus account of the Company up to the Effective Date within the meaning of the Companies Act 1981 of Bermuda (the "**Companies Act**") for use by the Directors in any manner permitted by the Companies Act and the bye-laws of the Company; and

(iv) the authorised share capital of the Company of HK$2,000,000,000 divided into 2,000,000,000 Consolidated Shares shall be reduced to HK$20,000,000 divided into 2,000,000,000 new shares of the Company by reducing the par value of all unissued Consolidated Shares from HK$1.00 each to HK0.01 each.

The SGM was convened and held on 14 September 2021 for the Shareholders to consider and, if thought fit, approve the necessary resolution(s) in respect of the Capital Reorganisation. The resolutions approving the Capital Reorganisation were duly passed by the Shareholders at the SGM, and the Capital Reorganisation has become effective with effect from 16 September 2021.

Further details of the Capital Reorganisation are set out in the announcements of the Company dated 11 May 2021 and 19 July 2021, the circular of the Company dated 20 August 2021 and the poll results announcement of the Company dated 14 September 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 409 (2019: 505) staff based in the PRC and Hong Kong. The Group remunerates its employees based on their performances, experiences and the prevailing industry practices. In addition to basic salaries and mandatory provident fund, staff benefits including medical coverage scheme and share options are offered.

The Group's remuneration policy was reviewed periodically by the remuneration committee and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

The current remuneration of directors and key management is determined by the individuals performance and market trends.

During the year under review, the Group has not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective close associates had any interest, whether directly or indirectly, in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with sound and reasonable corporate governance practices and procedures with an aim of maximizing the shareholders' interests as well as to enhancing the stakeholders' transparency and accountability. In this respect, to the best knowledge of the Board, the Company has complied with all of the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules ("**Corporate Governance Code**") then in force during the year ended 31 December 2020.

As Mr. Chow Kai Weng was appointed as Chairman and has been serving as both the Chairman and the Chief Executive Officer following the resignation of Mr. Sin Kwok Lam as the Chairman on 22 July 2021, such practice deviates from the Code Provision A.2.1 of the Corporate Governance Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and enhance effectiveness of its operation. Therefore, the Board considers that the deviation from the Code Provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances.

REQUIRED STANDARD OF DEALINGS FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2020.

AUDIT COMMITTEE

The Company has established the Audit Committee in 2002. As at the date of this announcement, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chui Chi Yun Robert (Chairman), Mr. Li Kit Chee Mr. Lam Kwok Hing Wilfred.

During the year under review, the Audit Committee reviewed the Company's annual reports and financial statements, interim reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. The Audit Committee also reviewed the audited financial results of the Group for the year ended 31 December 2020 and this announcement.

REVIEW OF THIS ANNOUNCEMENT BY AUDITOR OF THE COMPANY

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

PUBLICATION OF ANNUAL REPORT

The Company expects to publish its annual report for the year ended 31 December 2020 on or before 22 October 2021.

On behalf of the Board
National Arts Entertainment and Culture Group Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Chow Kai Weng
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 22 October 2021

As at the date of this announcement, the Directors are as follows:

Chairman, Executive Director and Chief Executive Officer:
Mr. Chow Kai Weng

Executive Directors:
Mr. Cheng Wang Chun
Mr. Ho Leung Ting

Non-executive Director:
Dr. Lam Lee G.

Independent Non-executive Directors:
Mr. Chui Chi Yun Robert
Mr. Li Kit Chee
Mr. Lam Kwok Hing Wilfred

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published and remains on the Company's website at www.nationalarts.hk on the "Investor Relations" page.