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National Arts Entertainment and Culture Group Limited

國藝娛樂文化集團有限公司

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

(Stock Code: 8228)

TERMINATION OF THE PREVIOUS PLACING AGREEMENT AND PLACING OF THE BONDS

Placing Agent

CONVOY 康宏

Convoy Investment Services Limited

康宏証券投資服務有限公司

TERMINATION OF THE PREVIOUS PLACING AGREEMENT

On 16 July 2015, the Company and the Placing Agent have mutually agreed to terminate the Previous Placing Agreement with immediate effect, whereupon the parties' respective obligations have ceased and terminated.

PLACING OF THE BONDS

After trading hours on 16 July 2015, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to issue and the Placing Agent agreed, on a best effort basis, to act as placing agent to procure places to subscribe for the Bonds (which consist of the 2-Year Bonds, the 3-Year Bonds, the 5-Year Bonds and the 7-Year Bonds) up to the maximum principal amount of HK\$200,000,000 in aggregate within the Placing Period.

The Placing Completion, with respect to each subscription of the Bonds, is subject to, among other things, the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

TERMINATION OF THE PREVIOUS PLACING AGREEMENT

Reference is made to the announcement of the Company dated 7 January 2015 in relation to the placing of the 8% per annum bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 maturing on the seventh anniversary of the date of issue.

On 16 July 2015, in contemplation of the entering into of the Placing Agreement in relation to the Placing, the Company and the Placing Agent have mutually agreed to terminate the Previous Placing Agreement with immediate effect, whereupon the parties' respective obligations have ceased and terminated. For avoidance of doubt, 8% per annum bonds which have been issued by the Company pursuant to the Previous Placing Agreement before 16 July 2015 shall continue to have effect, and holders of such bonds will not be affected by the termination of the Previous Placing Agreement.

THE PLACING AGREEMENT

After trading hours on 16 July 2015, the Company entered into the Placing Agreement with the Placing Agent in relation to the Placing, the principal terms of which are summarised below.

Date

16 July 2015

Parties

Issuer: The Company

Placing Agent: Convoy Investment Services Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Placing Agent and its ultimate beneficial owner(s) is an Independent Third Party.

Pursuant to the Placing Agreement, the Placing Agent agreed to act as placing agent (either by itself or through its sub-placing agents) to procure places to subscribe for the Bonds on a best effort basis.

Placing Period

The period commencing immediately after the date of the Placing Agreement and ending on the second anniversary of such date or on the date on which the Placing Agent successfully procures places to subscribe for the Bonds in an aggregate principal amount of HK\$200,000,000, whichever is earlier, or such other period as agreed otherwise between the Company and the Placing Agent in writing.

Places

The Bonds will be placed to the places, who and whose ultimate beneficial owners, shall be Independent Third Parties.

Placing Price

100% of the principal amount of the Bonds.

Conditions of the Placing

The Placing is unconditional.

Placing Completion

With respect to each Placing Completion, following the service of a notice in writing by the Placing Agent on the Company setting out the particulars of the places and the principal amount of the Bonds for which the places shall subscribe in accordance with the Placing Agreement, the relevant Placing Completion shall take place on the respective Placing Completion Date.

Termination

Under the Placing Agreement:

- (1) the Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the last day of the Placing Period if:
 - (a) there is any change in national, international, financial, exchange control, political and economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
 - (b) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
 - (c) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; and
- (2) the Company may, in its reasonable opinion, after consultation with the Placing Agent, terminate the Placing Agreement by notice in writing to the Placing Agent at any time up to 8:00 a.m. on the last day of the Placing Period if there is a breach of the warranties, representations and undertakings given by the Placing Agent in the Placing Agreement and such breach is considered by the Company on reasonable grounds to be material.

Upon termination of the Placing Agreement pursuant to the above paragraphs, all liabilities of the parties thereto thereunder shall cease and determine and no party thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

PRINCIPAL TERMS OF THE BONDS

The Bonds consist of the 2-Year Bonds, the 3-Year Bonds, the 5-Year Bonds and the 7-Year Bonds, the principal terms and conditions of which are set out below.

Bonds	:	2-Year Bonds	3-Year Bonds	5-Year Bonds	7-Year Bonds
Aggregate Principal Amount	:	Up to HK\$200,000,000	Up to HK\$200,000,000	Up to HK\$200,000,000	Up to HK\$200,000,000
<p>Provided that, the total sum of the aggregate principal amounts of the 2-Year Bonds, the 3-Year Bonds, the 5-Year Bonds and the 7-Year Bonds shall not exceed HK\$200,000,000.</p>					
Maturity Date	:	The date falling on the second anniversary of the issue date of the relevant Bonds or if that is not a Business Day, the first Business Day thereafter	The date falling on the third anniversary of the issue date of the relevant Bonds or if that is not a Business Day, the first Business Day thereafter	The date falling on the fifth anniversary of the issue date of the relevant Bonds or if that is not a Business Day, the first Business Day thereafter	The date falling on the seventh anniversary of the issue date of the relevant Bonds or if that is not a Business Day, the first Business Day thereafter
Interest Rate	:	5% per annum	6.5% per annum	7% per annum	8% per annum
<p>The interest under the Bonds shall accrue daily on a 365 days basis and payable annually in arrears.</p>					
Early Redemption by the Company	:	Nil	Nil	The Company may at any time after the third anniversary redeem the relevant 5-Year Bonds then outstanding in whole or in part at an amount which is 100% of the outstanding principal amount to be redeemed (together with interest accrued thereon)	The Company may at any time after the fourth anniversary redeem the relevant 7-Year Bonds then outstanding in whole or in part at an amount which is 100% of the outstanding principal amount to be redeemed (together with interest accrued thereon)

Early redemption by the Bondholders	:	Nil	Nil	The Bondholders may at any time after the third anniversary redeem the relevant 5-Year Bonds then outstanding at an amount which is 100% of the outstanding principal amount to be redeemed, subject to payment of administration fees by the Bondholders	The Bondholders may at any time after the fourth anniversary redeem the relevant 7-Year Bonds then outstanding at an amount which is 100% of the outstanding principal amount to be redeemed, subject to payment of administration fees by the Bondholders
Issue Price	:	100% of the principal amount of the Bonds.			
Form	:	In registered form.			
Status of the Bonds	:	<p>The obligations of the Company arising under the Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company and rank and shall at all times rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.</p> <p>The Bonds do not carry any right of conversion or exchange into the shares of the Company. The Bonds do not carry any entitlement of voting by the Bondholders at any Shareholders' meeting of the Company, nor do they carry any right to dividends, distribution of profits or return of capital of the Company.</p>			
Redemption on Maturity Date	:	Unless previously redeemed and cancelled, the Company shall redeem the relevant Bonds on the relevant Maturity Date at the redemption amount which is the principal amount of the Bonds outstanding, together with interest accrued thereon up to and including the actual date of redemption.			
Event of Default	:	Upon the occurrence of an event of default under the terms and conditions of the relevant Bonds, Bondholder(s) may request the Company to redeem the Bonds then outstanding at an amount which is 100% of the principal amount of the Bonds then outstanding (together with interest accrued thereon).			
Transferability	:	The Bonds may be transferred or assigned in whole or in part (if in part, in minimum amount of HK\$500,000 and an integral multiple of HK\$500,000 thereafter), provided that the Bonds (or any part(s) thereof) shall not be assigned or transferred to a connected person of the Company, unless prior written consent is obtained from the Company.			
Listing	:	The Bonds will not be listed on the Stock Exchange or any other stock exchanges.			

REASONS FOR THE PLACING

The Company is an investment holding company. The Group is principally engaged in film production and distribution, provision of artiste management, advertising and promotion services, provision of studio, theme park and hotels.

The purpose of the Placing is to cope with the Group's continuous development and general working capital requirement. The Company intends to use the net proceeds from the issuance of the Bonds for the future expansion of and investment in the film shooting studio and hotels, and the improvement in the Group's cash flow management.

The Directors are of the view that the Placing will strengthen the financial position of the Group. The Directors consider that the terms of the Placing Agreement and the Bonds are fair and reasonable based on the current market conditions. Accordingly, the Board considers that the transactions contemplated by the Placing Agreement and the Bonds are in the interests of the Company and the Shareholders as a whole.

The Placing Completion, with respect to each subscription of the Bonds, is subject to, among other things, the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“acting in concert”	has the meaning ascribed to it in the Code on Takeovers and Mergers of Hong Kong
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	board of Directors
“Bondholder(s)”	person(s) in whose name a Bond is registered in the register of Bondholders
“Bonds”	collectively, the 2-Year Bonds, the 3-Year Bonds, the 5-Year Bonds and the 7-Year Bonds, and a “Bond” shall be construed accordingly
“Business Day(s)”	day(s) (other than a Saturday, a Sunday or public holiday or any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	National Arts Entertainment and Culture Group Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability, and the shares of which are listed on GEM (stock code: 8228)

“connected person(s)”	has the meaning ascribed thereto in Chapter 20 of the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its subsidiaries and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates
“Maturity Date”	the maturity date in respect of the relevant Bonds, details of which are set out in the paragraph headed “Principal terms of the Bonds — Maturity Date” in this announcement
“Placing”	the placing of the Bonds pursuant to the terms and conditions set out in the Placing Agreement
“Placing Agent”	Convoy Investment Services Limited, a licenced company in Hong Kong carrying out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under SFO
“Placing Agreement”	the placing agreement dated 16 July 2015 entered into between the Company and Placing Agent in relation to the Placing
“Placing Completion”	in respect of each notice for completion of the Placing given to the Company pursuant to the Placing Agreement from time to time during the Placing Period
“Placing Completion Date”	the date the Company and the Placing Agent may agree in writing at which Placing Completion shall take place
“Placing Period”	the period commencing immediately after the date of the Placing Agreement and ending on the second anniversary of such date or on the date on which the Placing Agent successfully procures places to subscribe for the Bonds in an aggregate principal amount of HK\$200,000,000, whichever is earlier, or such other period as agreed otherwise between the Company and the Placing Agent in writing

“Previous Placing Agreement”	the placing agreement dated 7 January 2015 entered into between the Company and Placing Agent in relation to the placing of the 8% per annum bonds to be issued by the Company in an aggregate principal amount of up to HK\$200,000,000 maturing on the seventh anniversary of the date of issue, details of which are set out in the announcement of the Company dated 7 January 2015
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2-Year Bonds”	5% per annum bonds to be issued by the Company maturing on the second anniversary of the date of issue
“3-Year Bonds”	6.5% per annum bonds to be issued by the Company maturing on the third anniversary of the date of issue
“5-Year Bonds”	7% per annum bonds to be issued by the Company maturing on the fifth anniversary of the date of issue
“7-Year Bonds”	8% per annum bonds to be issued by the Company maturing on the seventh anniversary of the date of issue
“%”	per cent

By Order of the Board
National Arts Entertainment and Culture Group Limited
Law Po Yee
Vice Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 16 July 2015

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

Chairman and Non-executive Director:

Mr. Sin Kwok Lam

Vice Chairperson, Executive Director and Chief Executive Officer:

Ms. Law Po Yee

Executive Directors:

Mr. Chow Kai Weng

Ms. Sin Ho Yee

Non-executive Director:

Mr. Li Sin Hung Maxim

Independent Non-executive Directors:

Mr. Chan Tin Lup Trevor

Mr. Chui Chi Yun Robert

Prof. Wong Lung Tak Patrick

Mr. Li Kit Chee

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.