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# **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)**

## **AMENDMENT TO THE PROPOSED GRANT OF SHARE SUBSCRIPTION FACILITY TO THE COMPANY**

Reference is made to the announcement of the Company dated 13 March 2020 (the “**Announcement**”) in relation to the proposed grant of Share Subscription Facility to the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement. Pursuant to the Agreement, the Investor has agreed to grant the Company the Option to require the Investor to subscribe for the Option Shares of the Company and the Company has agreed to issue the Warrants to the Investor.

### **THE AMENDMENTS TO THE PROPOSED GRANT OF SHARE SUBSCRIPTION FACILITY TO THE COMPANY**

On 27 July 2020, the Company and the Investor agreed in writing to amend the Agreement as follows.

The following definitions in the Agreement have been amended and replaced as follows:

“Floor Price”

means 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, being the higher of (a) the closing price on the date of the relevant Closing Notice and (b) the average closing price in the five Trading Days immediately prior to the relevant Closing Notice.

“Knockout Day”	means 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.
“Minimum Threshold Price”	means HK\$0.19 per Share (subject to adjustment in case of subdivision or combination of Shares), which represents (i) a premium of approximately 2.70% to the closing price per Share of HK\$0.185 as quoted on the Stock Exchange on 22 June 2020 (the “ <b>Last Trading Day</b> ”); (ii) a premium of approximately 13.10% to the average of the closing prices of the Shares as quoted on the Stock Exchange in the last five Trading Days up to and including the Last Trading Day, being HK\$0.168 per Share; and (iii) a premium of approximately 17.28% to the average of the closing prices of the Shares as quoted on the Stock Exchange in the last ten Trading Days up to and including the Last Trading Day, being HK\$0.162 per Share.
“Subscription Price”	with respect to any Pricing Period, the higher of (i) the Determined Price; (ii) the Floor Price; and (iii) the Minimum Threshold Price.

The following new definition has been inserted to the Agreement:

“Determined Price”	means 90% of the average of the Closing Bid Prices during the Pricing Period, ignoring for the purposes of such calculation any Knockout Day.
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The summary of the amendments to the Agreement is set out as follows:

- (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 is higher than the Floor Price and the Minimum Threshold Price, 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 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.

Save as disclosed above, there is no other change to the Agreement and all the terms of the Agreement shall remain in full force.

## **REASONS FOR AMENDING THE TERMS IN THE PROPOSED GRANT OF SHARE SUBSCRIPTION FACILITY TO THE COMPANY**

The amendments to the proposed grant of the Share Subscription Facility were arrived at after arm's length negotiations between the Company and the Investor to facilitate the Company for issuance of the Option Shares under a general mandate of the Company and expedite the fund raising under the Share Subscription Facility to resolve the financial needs of the Group.

The revised Minimum Threshold Price of HK\$0.19 was determined with reference to the prevailing market price of the Shares and the net liabilities of the Group of approximately HK\$0.06 per Share (calculated based on the net liabilities of the Group of approximately HK\$431.3 million as at 31 December 2019 and the issued Shares of 7,103,285,390 as at the date of this announcement).

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. The Board considers that the amendments to the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **GENERAL MANDATE TO ISSUE THE OPTION SHARES**

Subject to the satisfaction of the Conditions Precedent, 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 29 June 2019 (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 Agreement.

As at the date of this announcement, the Company had not utilised the existing General Mandate and the number of Shares which could be issued and allotted under the existing General Mandate is 989,634,090 Shares.

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.

## **PROPOSED USE OF PROCEEDS**

The net proceeds from the Share Subscription Facility of HK\$2,278.5 million is revised to be utilised 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 and other payables of HK\$150 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 Xiqiao National Arts Film Studio and the National Arts Resort Hotel; and
- (d) up to HK\$1,500 million for investment in potential projects, including but not limited to virtual banking business, online e-commerce business and consumer finance business.

For each tranche of subscription, the intended use of proceeds will be set out in the relevant announcement.

The proceeds from the issue of the Warrant Shares of HK\$88.09 million is revised to be utilised for general working capital of the Group and expansion and upgrading of Xiqiao National Arts Film Studio and the National Arts Resort Hotel.

## SHAREHOLDING STRUCTURE

Assuming that the Option Shares will be issued at the Minimum Threshold Price of HK\$0.19 per Option Share and based on the Total Commitment of HK\$2,350 million, a maximum of 12,368,421,052 Option Shares will be allotted and issued upon the full exercise of the Option. Assuming the Warrants are exercised in full at HK\$0.23 per Warrant Share, 383,000,000 Warrant Shares will be allotted and issued.

The 12,368,421,052 Option Shares represent:

- (i) approximately 174.12% of the existing issued Shares as at the date of this announcement;
- (ii) approximately 63.52% of the issued share capital of the Company as enlarged by the allotment and issue of 12,368,421,052 Option Shares; and
- (iii) approximately 62.29% of the issued share capital of the Company as enlarged by the allotment and issue of 12,368,421,052 Option Shares and 383,000,000 Warrant Shares.

The 383,000,000 Warrant Shares represent:

- (i) approximately 5.39% of the existing issued Shares as at the date of this announcement;
- (ii) approximately 5.12% of the issued share capital of the Company as enlarged by the allotment and issue of 383,000,000 Warrant Shares; and
- (iii) approximately of 1.93% the issued share capital of the Company as enlarged by the allotment and issue of 12,368,421,052 Option Shares and 383,000,000 Warrant Shares.

For illustration purpose, the table below sets forth the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after issuance of the 12,368,421,052 Option Shares and 383,000,000 Warrant Shares in full (“**Scenario I**”); and (iii) immediately after (a) issuance of the 12,368,421,052 Option Shares and 383,000,000 Warrant Shares in full, (b) the conversion of the convertible bonds in the principal amount of HK\$1,244,876,198 issued by the Company on 29 June 2020 (the “**Convertible Bonds**”), (c) issuance of 250,000,000 Shares for settlement of professional fee under the scheme of the Company (“**Scenario II**”):

	As at the date of this announcement		Scenario I		Scenario II (Note 3)	
	No. of shares	%	No. of shares	%	No. of shares	%
<b>Directors</b>						
Mr. Sin Kwok Lam (“ <b>Mr. Sin</b> ”) and his associate (Note 1)	1,584,147,296	22.30%	1,584,147,296	7.98%	2,334,562,575	10.44%
Mr. Chow Kai Weng	39,254,139	0.55%	39,254,139	0.20%	79,560,091	0.36%
Mr. Chui Chi Yun Robert	3,000,000	0.04%	3,000,000	0.02%	3,000,000	0.01%
Mr. Li Kit Chee	4,480,000	0.06%	4,480,000	0.02%	4,480,000	0.02%
The Investor (Note 2)	–	0.00%	12,751,421,052	64.22%	12,751,421,052	57.01%
Public Shareholders	5,472,403,955	77.04%	5,472,403,955	27.56%	7,195,093,991	32.17%
<b>Total</b>	<b>7,103,285,390</b>	<b>100.00%</b>	<b>19,854,706,442</b>	<b>100.00%</b>	<b>22,368,117,709</b>	<b>100.00%</b>

*Notes:*

- As at the date of this announcement, Mr. Sin beneficially owns 1,529,983,985 Shares. Ms. Law Po Yee, being the spouse of Mr. Sin, beneficially owns 54,163,311 Shares. Under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), each of Mr. Sin and Ms. Law Po Yee is deemed to be interested in 1,584,147,296 Shares.
- Pursuant to the Agreement, 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).
- As part of the Company’s financial restructuring plans, (i) on 29 June 2020, the Company issued the Convertible Bonds to the creditors of the Company as part of the consideration for full and final settlement of all outstanding debts of the Company. The Convertible Bonds can be converted into 2,263,411,267 Shares at the initial conversion price of HK\$0.55 per Share; and (ii) the Company has agreed to issue 250,000,000 Shares to its advisers for settlement of professional fee, details of which were set out in the circular of the Company dated 20 September 2019.

## GENERAL

The Company will convene and hold a special general meeting of the Company (“SGM”) for the Shareholders to consider and, if thought fit, approve (i) the Agreement and the transactions contemplated thereunder, and (ii) the grant of the specific mandate to allot and issue the Warrant Shares (the “Specific Mandate”).

Applications will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in the Warrant Shares.

A circular containing, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

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

Hong Kong, 27 July 2020

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

*Chairman and Executive Director:*

Mr. Sin Kwok Lam

*Associate 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 George

*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 “Latest Listed Company Information” page of the GEM website for at least 7 days from the date of its posting. This announcement will also be published and shall remain on the Company’s website at [www.nationalarts.hk](http://www.nationalarts.hk) on the “Investor Relations” page.*