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CNCG CHINA NATIONAL CULTURE GROUP LIMITED 中國國家文化產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)

(A) TOP-UP PLACING OF EXISTING SHARES; (B) TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE; (C) GRANT OF SHARE OPTIONS AND (D) RESUMPTION OF TRADING

Placing Agent



THE TOP-UP PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES

On 24 July 2014, the Vendor entered into the Top-up Placing and Subscription Agreement with the Placing Agent and the Company. Pursuant to the Top-up Placing and Subscription Agreement, the Vendor agreed to sell, or procure the sale of, 350,000,000 Top-up Placing Shares or up to a maximum of 709,000,000 Top-up Placing Shares and the Placing Agent agreed, as placing agent of the Vendor, to procure, on a best effort basis, Places to purchase the Top-up Placing Shares at the Top-up Placing Price.

Pursuant to the Top-up Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for 350,000,000 Top-up Subscription Shares or up to the maximum of 709,000,000 Top-up Subscription Shares at the Top-up Subscription Price. The number of the Top-up Subscription Shares will be equivalent to the number of Top-up Placing Shares successfully placed under the Top-up Placing.

The maximum of 709,000,000 Top-up Placing Shares represent (i) approximately 9.93% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.03% of the issued share capital of the Company as enlarged by the Top-up Subscription.

The maximum gross proceeds from the Top-up Subscription will be approximately HK\$212.70 million. The maximum net proceeds from the Top-up Subscription will be approximately HK\$208.45 million. The Company intends to use the net proceeds of the Top-up Subscription as to HK\$150 million for repayment of the existing debts, as to HK\$40 million for development of its movie and media operation, and as to HK\$18.45 million for general working capital purposes.

GRANT OF SHARE OPTIONS

The board of Directors announces that on 24 July 2014, 153,383,000 share options are granted to 10 individuals to subscribe for ordinary Shares, subject to acceptance of the grantees, under the share option scheme of the Company adopted on 6 September 2004.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 11:13 a.m. on Monday, 21 July 2014 pending the publication of inside information of the Company under Part XIVA of the SFO. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 25 July 2014.

THE TOP-UP PLACING AND SUBSCRIPTION AGREEMENT

Date

24 July 2014

Parties involved

The Vendor, the Company and the Placing Agent

THE TOP-UP PLACING

Parties involved

The Vendor and the Placing Agent

The Vendor has agreed to sell, and the Placing Agent has conditionally agreed to act as a placing agent of the Vendor in connection with the Top-up Placing to place to the Placees on a best effort basis, 350,000,000 Top-up Placing Shares or up to a maximum of 709,000,000 Top-up Placing Shares at the Top-up Placing Price.

Placing Agent

The Placing Agent will receive a placing commission of 2% on the gross proceeds of the Top-up Placing Shares being placed, which was arrived at after arm's length negotiations among the Vendor, the Company and the Placing Agent. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company, the Vendor and any of its connected persons or their respective associates.

The Vendor

The Vendor is a substantial shareholder (as defined in the Listing Rules) of the Company and currently holds 1,723,000,000 Shares and 1,811,200,000 convertible preference shares. The Vendor's holdings in such ordinary Shares the aggregate of which represent approximately 24.13% and 49.49% respectively of the total issued share capital of the Company. The Vendor is beneficially owned as to 60% by Mr. Xiao Baoyan and 40% by Ms. Chan Ka Wai.

Placees

The Placing Agent has agreed to procure, on a best effort basis, purchasers for the Top-up Placing Shares at the Top-up Placing Price.

Subject to the terms and conditions of the Top-up Placing and Subscription Agreement, the Top-up Placing Shares will be placed to not less than six Placees who shall be Independent Third Parties. No individual Placee is expected to become a substantial Shareholder (as defined under the Listing Rules) immediately after completion of the Top-up Placing.

Top-up Placing Price

The Top-up Placing Price has been fixed at HK\$0.30 which is the same as the Top-up Subscription Price and represents:

- (i) a discount of approximately 20% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the date of the on the Last Trading Day;
- (ii) a premium of approximately 1.69% to the average closing price per Share of approximately HK\$0.295 as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the Top-up Placing and Subscription Agreement and this announcement; and
- (iii) a premium of approximately 11.94% to the average closing price per Share of HK\$0.268 as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Last Trading Day.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Vendor, the Company and the Placing Agent. The Directors consider that the terms of the Top-up Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Number of the Top-up Placing Shares

The maximum of 709,000,000 Top-up Placing Shares represent (i) approximately 9.93% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.03% of the issued share capital of the Company as enlarged by the Top-up Subscription, assuming the maximum Top-up Placing Shares are placed in full and no further new Shares will be issued before the completion of the Top-up Subscription.

Ranking of Top-up Placing Shares

The Top-up Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

Completion

The Top-up Placing is expected to be completed on or before 1 August 2014, or such other date as the Vendor and the Placing Agent shall agree.

Termination

The Placing Agent reserves its right to terminate the arrangements set out in the Top-up Placing and Subscription Agreement by notice in writing prior to 12:00 noon on the completion date of the Top-up Placing, if in the opinion of the Placing Agent, the success of the Top-up Placing or the financial position, business, results of operation or prospects of the Group as a whole would or might be materially and adversely affected by any of the following events:

- (i) any breach of any of the representations, warranties and undertakings set out in the Top-up Placing and Subscription Agreement; or
- (ii) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
- (iii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Top-up Placing and Subscription Agreement and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or

- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (v) suspension of dealings in the Shares for a period exceeding one (1) day (other than as a result of the Top-up Placing); or
- (vi) a change or development involving a prospective change in taxation in Hong Kong or the PRC or any other jurisdictions in which any member of the Group was established or has operations or the implementation of exchange controls which shall or might materially and adversely affect the Group (taken as a whole); or
- (vii) any material change or deterioration in the conditions of local, national or international securities markets occurs; or
- (viii) the instigation of any litigation or claim of material importance by any third party against any member of the Group.

THE TOP-UP SUBSCRIPTION

Parties involved

The Company and the Vendor

The Company has conditionally agreed to allot and issue and the Vendor has conditionally agreed to subscribe for 350,000,000 Top-up Subscription Shares or up to the maximum of 709,000,000 Top-up Subscription Shares at the Top-up Subscription Price. The number of the Top-up Subscription Shares shall be equivalent to the number of the Top-up Placing Shares successfully placed under the Top-up Placing.

Top-up Subscription Price

The Top-up Subscription Price is HK\$0.30 per Top-up Subscription Share which is the same as the Top-up Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Top-up Placing Price.

Number of Top-up Subscription Shares

The number of the Top-up Subscription Shares is equivalent to the number of the Top-up Placing Shares, being 350,000,000 new Shares or up to the maximum of 709,000,000 new Shares. The aggregate nominal values of the Top-up Subscription Shares and Top-up Placing Shares are HK\$3,500,000 or up to the maximum of HK\$7,090,000.

Ranking of Top-up Subscription Shares

The Top-up Subscription Shares, when allotted, issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of allotment and issue of the Top-up Subscription Shares.

The Top-up Subscription Shares

The Top-up Subscription Shares are to be allotted and issued under the General Mandate. The total number of issued Shares as at the date of the AGM was 3,545,030,000 Shares. Pursuant to the General Mandate, the total number of new Shares that the Directors are authorised to allot and issue are 709,006,000 Shares (up to 20% of the then issued share capital of the Company). Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate. Accordingly, the Top-up Subscription is not subject to a separate approval of Shareholders. After completion of the Top-up Subscription, assuming the maximum of 709,000,000 new Shares have been allotted and issued, approximately 99.99% of the General Mandate will be utilized.

Conditions of the Top-up Subscription

The Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares; and
- (ii) completion of the Top-up Placing having occurred pursuant to the terms of the Top-up Placing and Subscription Agreement.

Undertakings

In order to induce the Placing Agent to enter into the Top-up Placing and Subscription Agreement and in consideration of the obligations of the Placing Agent thereunder, the Company undertakes that:

- (1) it will not issue, or agree to allot or issue any securities of the Company (other than pursuant to the Options granted as stated below), for the period commencing from the date of the Top-up Placing and Subscription Agreement and ending 90 days from the date of the Top-up Placing and Subscription Agreement; and
- (2) in the event that it will grant any share options (other than the Options granted as stated below) of the Company pursuant to the Share Option Scheme within 90 days from the date of the Top-up Placing and Subscription Agreement, it shall include a condition to the grant of such share options of the Company that the grantees shall not exercise any of the share options of the Company within 90 days from the date of the Top-up Placing and Subscription Agreement.

Completion of the Top-up Subscription

Under Rule 14A.92(4)(a)(ii) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Placing and Subscription Agreement, that is, on or before 7 August 2014.

In the event that the conditions to the Top-up Subscription are not fulfilled by 7 August 2014, and the obligations of the Company and the Vendor under the Top-up Placing and Subscription Agreement shall terminate and neither of the parties shall have any claim against the others for costs, damages, compensation or otherwise in respect of the Top-up Subscription save and except that the Company shall reimburse the Vendor legal fees and out of pocket expenses which the Vendor shall be obliged to pay in connection with the Top-up Placing or the Vendor and the Company may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules (including the Shareholder's approval), to postpone completion of the Top-up Subscription to a later date to be agreed between the Company and the Vendor. In the event that the Company and the Vendor elects not to postpone the completion, the Top-up Subscription shall be terminated.

REASON FOR THE TOP-UP PLACING AND TOP-UP SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider various ways of raising funds and consider that the Top-up Placing and the Top-up Subscription represent an opportunity to raise capital for the Company while broadening the Shareholders' base and capital base of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider the Top-up Placing and Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Top-up Subscription will be approximately HK\$212.70 million. The maximum net proceeds from the Top-up subscription will be approximately HK\$208.45 million. The Company intends to use the net proceeds of the Top-up Subscription as follows (i) as to approximately HK\$150 million to repay the existing debts; (ii) as to approximately HK\$40 million for the development of its movie and media operation, and (iii) as to HK\$18.45 million for the general working capital purposes. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$0.294 per Top-up Subscription Share.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

No fund raising activities have been conducted by the Company in the last 12 months immediately before the date of this announcement.

GENERAL

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of advertising media services.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Top-up Subscription Shares.

Further announcement will be made by the Company upon completion of the Top-up Placing and Subscription Agreement.

SHAREHOLDING STRUCTURE OF THE COMPANY

The existing authorised share capital of the Company consists of 10,000,000,000 Shares out of which 7,140,830,000 Shares are issued and fully paid up. The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Top-up Placing but before the completion of the Top-up Subscription (assuming the maximum Top-up Placing Shares being placed and assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Top-up Placing); and (iii) immediately after the completion of the Top-up Placing and the completion of the Top-up Subscription (assuming the maximum Top-up Placing Shares being placed and Top-up Subscription Shares being issued and assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Top-up Placing and Top-up Subscription):

	As at the date of this announcement		Immediately after the completion of the Top-up Placing but before the completion of the Top-up Subscription (assuming the maximum Top-up Placing Shares being placed and assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Top-up Placing)		Immediately after the completion of the Top-up Placing and Subscription (assuming the maximum Top-up Placing Shares being placed and Top-up Subscription Shares being issued and assuming no further allotment and issue of Shares after the date of this announcement and up to the date of completion of the Top-up Placing and Top-up Subscription)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Vendor	1,723,000,000	24.1	1,014,000,000	14.2	1,723,000,000	22.0
Places			709,000,000	9.9	709,000,000	9.0
Other public Shareholders	<u>5,417,830,000</u>	<u>75.9</u>	<u>5,417,830,000</u>	<u>75.9</u>	<u>5,417,830,000</u>	<u>69.0</u>
Total	<u>7,140,830,000</u>	<u>100</u>	<u>7,140,830,000</u>	<u>100</u>	<u>7,849,830,000</u>	<u>100</u>

Note: The Vendor is beneficially owned as to 60% by Mr. Xiao Baoyan and 40% by Ms. Chan Ka Wai.

GRANT OF SHARE OPTIONS

The board of directors of the Company announces that on 24 July 2014, 153,383,000 share options (“Options”) to 10 individuals (“Grantees”) to subscribe for ordinary shares of HK\$0.01 each of the Company were granted, subject to acceptance of the Grantees, under the share option scheme of the Company adopted on 6 September 2004.

The following are the details of the Options granted:

Date of grant:	24 July 2014
Exercise price of Options granted:	Each Option shall entitle the holder of the Option to subscribe for one Share upon exercise of such Option at an exercise price of HK\$0.375 per Share, which is the highest of: <ul style="list-style-type: none">(a) the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the date of the on the Last Trading Day;(b) the average closing price of HK\$0.295 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the Last Trading Day; and(c) the nominal value of a Share of HK\$0.01
Number of Options granted:	153,383,000
Closing price of the Shares on the date of grant:	HK\$0.375 per Share
Validity period of the Options:	From 25 July 2014 to 6 September 2014

The Options were granted to the following Grantees:

Grantees	Number of Options granted
Director	15,338,300
Employees	76,691,500
Consultants	61,353,200
Total	<u>153,383,000</u>

The Options should be cancelled upon termination of the contract of employment between the Grantees and the Company and its subsidiaries in any case. Among the Options granted, 15,338,300 Options were granted to a Director namely Ms. Shen Lihong.

The grant of Options to the above Director has been approved by the independent-non-executive Directors. Save as disclosed in this announcement, none of Grantees of the Options is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or an associate (as defined in the Listing Rules) of any of them.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 11:13 a.m. on Monday, 21 July 2014 pending the publication of inside information of the Company under Part XIVA of the SFO. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 25 July 2014.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 29 August 2013
“Board”	the board of Directors
“Company”	China National Culture Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) that is/are not connected with the Company, any directors, chief executives, controlling shareholders, substantial shareholders, their respective subsidiaries or any of their respective associates

“Last Trading Day”	21 July 2014 the last trading day prior to the entering into the release of the Top-up Placing and Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Top-up Placing Shares pursuant to the Placing Agent’s obligations under Top-up Placing and Subscription Agreement
“Placing Agent”	BOCOM International Securities Limited, corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“PRC”	The People’s Republic of China
“SFO”	the Securities and Futures Ordinance (CAP. 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-up Placing”	the placing of 350,000,000 Top-up Placing Shares or up to the maximum of 709,000,000 Top-up Placing Shares on a best effort basis by the Placing Agent pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Placing and Subscription Agreement”	the agreement dated 24 July 2014 entered into between the Vendor, the Company and the Placing Agent in relation to the Top-up Placing and Top-up Subscription
“Top-up Placing Price”	HK\$0.30 per Top-up Placing Share
“Top-up Placing Share(s)”	being the amount of 350,000,000 existing Shares or up to the maximum of 709,000,000 existing Shares, beneficially owned by the Vendor and to be placed to the Placee(s) pursuant to the Top-up Placing and Subscription Agreement

“Top-up Subscription”	the subscription of 350,000,000 new Shares or up to the maximum of 709,000,000 new Shares by the Vendor for the Top-up Subscription Shares pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Subscription Price”	HK\$0.30 per Top-up Subscription Share
“Top-up Subscription Share(s)”	a number of new Shares to be subscribed by the Vendor pursuant to the Top-up Placing and Subscription Agreement, which number shall be equal to the number of Top-up Placing Shares actually placed under the Top-up Placing and Subscription Agreement and shall not in any event exceed 709,000,000 new Shares
“Vendor”	Huge Leader Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

On behalf of the Board
CHINA NATIONAL CULTURE GROUP LIMITED
Shen Lihong
Director

Hong Kong, 25 July 2014

As at the date of this announcement, the Board comprises, Mr. Tan Bondy, Ms. Sun Wei and Ms. Shen Lihong as Executive Directors and Mr. Liu Kwong Sang, Dr. Wan Ho Yuen Terence, Ms. Wang Miaojun and Mr. Ma Qianli as Independent Non-Executive Directors.