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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)**

## **DISCLOSEABLE TRANSACTION: ACQUISITION OF THE TARGET COMPANY**

### **THE ACQUISITION**

The Board is pleased to announce that on 29 January 2021 (after trading hours), the Company entered into Agreement with the Seller and the Guarantor in respect of the Acquisition. Pursuant to the Agreement, the Company has conditionally agreed to acquire from the Seller the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration which will be settled by the allotment and issue of 900,000,000 New Shares by the Company to the Seller upon Completion. Details of the Agreement are set out below:

### **THE AGREEMENT**

#### **Date**

29 January 2021

#### **Parties to the Agreement**

**Seller:** Advanced Oasis International Holding Limited, a company incorporated in the British Virgin Islands with limited liability, engaged in investment holding and are wholly owned by the Guarantor and Other Shareholder of the Seller in equal share

**Buyer:** The Company

**Guarantor:** Chu Hin Ming, Alfonso

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Seller and its ultimate beneficial owners are Independent Third Parties.

## **Assets to be acquired**

Pursuant to the Agreement, the Company has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company. The information regarding the Target Company is set out in the section headed “Information of the Target Company and the Target Apartments” below.

## **Consideration**

The Consideration is HK\$90,000,000 (Hong Kong Dollars Ninety Million Only), which shall be settled by the allotment and issue of 900,000,000 New Shares by the Company to the Seller under the General Mandate at the issue price of HK\$0.10 per New Share upon Completion.

Each of the Seller and the Guarantor agrees and undertakes 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 Completion Date, dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the 900,000,000 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; 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.

## **Basis of Consideration**

The Consideration was determined after arm’s length negotiations between the Company and the Seller on normal commercial term after taking into account the preliminary valuation of the Target Apartments approximately HK\$90,000,000 as assessed by an independent professional valuer.

## **Conditions precedent**

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

- 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 SFC;
- f. the Listing Committee of the Stock Exchange granting listing of and permission to deal in the New Shares;
- g. completion of the Restructuring;
- 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;
- 5th year (i.e. 1 January 2027 to 31 December 2027) – 5.75% of the Consideration.

## **Completion**

Completion shall take place within 7 Business Days upon the Conditions being fulfilled or (if applicable) waived.

Immediately after Completion, the Company will own 100% of the issued share capital of the Target Company and the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into those of the Group.

## **INFORMATION OF THE TARGET COMPANY AND THE TARGET APARTMENTS**

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Upon completion of the Restructuring (which is one of the Conditions) and at Completion, the Target Company will through its subsidiaries (i.e. SPV 3 and SPV4), hold 100% ownership of the Target Apartments.

The Target Company was recently incorporated in January 2021 with a registered capital of only US\$1 with no other asset for the purpose of holding the Target Apartments. Upon Completion, the Target Company will own the Target Apartments, the preliminary valuation of which as is approximately HK\$90,000,000 as assessed by an independent professional valuer.

The Target Apartments are situated at Kawasan Kanchong Laut Mukim Morib Banting State of Selangor, Malaysia. The Target Apartments are located along the majestic seafront of the straits of Malacca in Kuala Langat, the nearest sandy beach at the southern end of Selangor State in Malaysia. The Target Apartments enjoy high accessibility and are less than 60 minutes drive from Kuala Lumpur city center, and less than 30 minutes drive from Kuala Lumpur International Airport.

The Target Apartments are currently under construction, the foundation has been completed and the superstructure has been built to level 4 and completion of the construction of the building is expected to take place by the fourth quarter of 2022.

## **REASONS AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in film production and distribution, the provision of management services to artistes, event coordination, provision of travel related products and operations of film studio and hotel.

The Company has sophisticated experience in hotel management, especially in the People's Republic of China. The Group owns Xiqiao National Arts Film Studio (the "Studio") and National Arts Resort Hotel, which are located in Foshan City, Guangdong Province and 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.

In order to further the horizontal development of the Group's hotel operation in overseas market, the Company has entered into the Agreement for acquiring the Target Apartments. In addition, the Company intends to hold the Target Apartments as investment properties and lease the Target Apartments to the Seller for its operations. The Seller, together with the Guarantor, have agreed to guarantee with the Company the return of the Target Apartments as mentioned in the paragraph headed "Guarantee by the Seller and the Guarantor" above. The Board believes that the Acquisition can diversify the hotel operation of the Group in overseas market in the coming years.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## EFFECTS ON THE SHAREHOLDING STRUCTURE

Upon Completion, the New Shares will be allotted and issued to the Seller under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the New Shares.

The following table summarises the shareholding structure of the Company as at the date of this announcement and upon Completion (assuming that there is no other change in the share capital of the Company prior to Completion)

	As at the date of this announcement		Immediately upon Completion	
	No. of Shares	%	No. of Shares	%
<b>Director</b>				
Sin Kwok Lam ("Mr. Sin") and his associate ( <i>Note</i> )	1,584,147,296	21.34%	1,584,147,296	19.03%
Chow Kai Weng	39,254,139	0.53%	39,254,139	0.47%
Chui Chi Yun Robert	3,000,000	0.04%	3,000,000	0.04%
Li Kit Chee	4,480,000	0.06%	4,480,000	0.05%
Seller	0	0.00%	900,000,000	10.81%
Public Shareholders	5,792,986,934	78.03%	5,792,986,934	69.60%
Total	7,423,868,369	100.00%	8,323,686,369	100.00%

*Note:* 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.

## 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 constitutes 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.

## DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Sale Share pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 29 January 2021 and entered into among the Company, the Seller and the Guarantor in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and public holiday) on which banks in Hong Kong are open for business
“Company”	National Arts Entertainment and Culture Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8228)
“Completion”	completion of the Acquisition
“Completion Date”	the date on which Completion takes place
“Consideration”	HK\$90,000,000, being the consideration for the Sale Share
“Condition(s)”	the condition(s) precedent to Completion, as set out in the paragraph headed “Conditions precedent” above
“Director(s)”	the Director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantor”	Chu Hin Ming, Alfonso
“General Mandate”	the mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 30 July 2020 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of such annual general meeting

“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)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties not connected with or acting in concert with any director(s), chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates
“Other Shareholder of the Seller”	Yu Kin Wai, Perway
“Parties”	the Seller, the Company and the Guarantor
“Sale Share”	1 share in the Target Company, representing the 100% entire issued capital of the Target Company, to be bought and sold pursuant to the Agreement
“New Shares”	the 900,000,000 new Shares of HK\$0.1 each to be allotted and issued by the Company to the Seller as consideration for the Sale Share
“Restructuring”	<p>the following restructuring to be taken by the Target Company prior to Completion:</p> <ul style="list-style-type: none"> <li>(i) the due incorporation of SPV 3;</li> <li>(ii) the due incorporation of SPV 4;</li> <li>(iii) the acquisition of the Target Apartments by SPV 4;</li> </ul> <p>to the effect that upon completion of the above, the Target Apartments shall be beneficially and wholly owned by SPV 4, which shall be beneficially and wholly owned by SPV 3, which shall be beneficially and wholly owned by the Target Company</p>
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“SPV 3”	a company which will be incorporated in Hong Kong with limited liability and beneficially and wholly owned by the Target Company at Completion, and its issued share capital at Completion shall not be more than HK\$10,000
“SPV 4”	a company which will be incorporated in Malaysia with limited liability and beneficially and wholly owned by SPV 3 at Completion, and its issued share capital at Completion shall not be more than RM5,000
“Target Company”	Majestic Bravo Limited, a company incorporated in British Virgin Islands with limited liability and wholly owned by the Seller as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries
“Target Apartments”	26 units service apartment of Golden Straits Morib, located at PT 294, Kawasaki Kanchong Laut McKim Morib 42700 Banting Selangor Darul Ehsan Malaysia
“Seller”	Advanced Oasis International Holding Limited, a company incorporated in the British Virgin Islands and wholly owned by the Guarantor and the Other Shareholder of the Seller in equal share

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, 29 January 2021

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 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 “Latest Company Announcements” 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.*