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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)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that on 17 April 2021, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has agreed to subscribe, and the Company has agreed to issue the Convertible Bonds in an aggregate principal amount of HK\$25,000,000, on the terms and subject to conditions set out therein.

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments), a total of 250,000,000 Conversion Shares will be issued, representing approximately 3.00% of the existing issued share capital of the Company and approximately 2.92% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate.

The gross proceeds and net proceeds from the issue of the Convertible Bonds will be HK\$25,000,000 and approximately HK\$25,000,000 respectively. The Group intends to use all the net proceeds for the working capital and repayment of the professional fee. The net conversion price is approximately HK\$0.1, assuming that 250,000,000 Conversion Shares are issued at the conversion price of HK\$0.1.

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

As the completion of the Subscription Agreement is subject to the fulfillment of the conditions precedent therein and therefore may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

On 17 April 2021, the Company entered into the Subscription Agreement with the Subscriber.

Date

17 April 2021

Parties

- (1) The Company as issuer; and
- (2) The Subscriber as subscriber.

Conditions Precedent

A. Completion is conditional upon:

- I. the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;
- II. all necessary consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the Issuer, other relevant third parties and/or governmental or regulatory authorities or bodies as may be necessary to be obtained on the part of the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained;
- III. the board of directors of the Company having approved the Subscription Agreement and the transactions contemplated herein (if so required by the GEM Listing Rules) at a duly convened and held directors meeting in accordance with the GEM Listing Rules;
- IV. the Subscriber and the Share Lender having entered into the Share Lending Agreement and the Share Lending Agreement remaining in full force and effect without any failure (or threatened failure) by the Share Lender to duly perform its obligations thereto;
- V. no change, event, or circumstance having occurred which constitutes a material adverse change prior to Completion;
- VI. the warranties remaining true and accurate and not misleading in all respects; and
- VII. the Company having delivered to the Subscriber a certificate signed by one of its directors certifying that the conditions have been fulfilled.

- B. The Company undertakes to the Subscriber to use its reasonable endeavours to ensure that the conditions precedent are fulfilled as early as practicable.
- C. The Subscriber shall, to the extent permitted under applicable law, furnish to the Stock Exchange such information about itself and its directors and other associates (as defined in the GEM Listing Rules) as may be required by the Stock Exchange or the preparation or issue of any announcement or circular of the Company in respect of the Subscription Agreement as required by the GEM Listing Rules.

Completion Date

Subject to the fulfillment of the conditions precedent of the Subscription Agreement, the closing of the issue of the Convertible Bonds shall take place on the Completion Date, whereupon the Company shall deliver the bond certificate(s), duly sealed by the Company to the Subscriber.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal terms of the Convertible Bonds are set out as follows:

Issuer:	The Company
Subscriber:	GEM Global Yield, LLC SCS
Interest:	Each Convertible Bond will bear interest at the rate of 4% per annum from the Issue Date.
Maturity date:	The third anniversary of the Issue Date.
Conversion price:	HK\$0.10 per Conversion Share, subject to adjustment(s) upon occurrence of certain events as summarised in the paragraph headed “ADJUSTMENTS TO THE CONVERSION PRICE” below and shall not be less than the par value of a Share.
The Conversion Price represents:	<p>(i) a premium of approximately 66.67% to the closing price 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</p> <p>(ii) a premium of approximately 68.35% to the average closing price of approximately HK\$0.0594 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding 16 April 2021.</p>

The Conversion Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the current market sentiment and the prevailing market prices of the Shares as quoted on the Stock Exchange.

Conversion Shares:	Based on the initial Conversion Price, a maximum number of 250,000,000 Conversion Shares may fall to be allotted and issued upon exercise by the holder of the Bondholders of the Conversion Shares attaching to the Convertible Bonds in full. The Conversion Shares allotted and issued on conversion will be fully paid and will rank <i>pari passu</i> in all respects with the shares in issue on the conversion date.
Repayment:	The outstanding principal amount of the Convertible Bonds, unless previously converted into Shares in accordance with the terms of the Convertible, shall be repaid subject to and in accordance with the terms of the Convertible Bonds on the Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds and the interest accrued thereon.
Early Redemption	The Convertible Bond may be early redeemed at 100% of the outstanding principal amount of the Bond (in whole or in part) and the interest accrued then remaining unpaid at any time and from time to time at the option of the Company prior to the Maturity Date, provided that the Shares are trading at or above HK\$0.15 on the Stock Exchange for thirty (30) straight Trading Days. The Company shall give to the Bondholder(s) not less than seven (7) Business Days' prior notice of its intention to make such redemption, specifying the amount to be redeemed and the date of such redemption.
Status:	The Convertible Bonds shall, on issue, constitute direct, unconditional, unsubordinated, unsecured obligations of the Company and shall at all times rank at least equally with all its other present and future unsubordinated and unsecured obligations.
Transferability:	The Convertible Bonds are transferrable.
Conversion Rights:	(i) The Bondholders shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Bond into shares of the Company, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from the date of issue of the Convertible Bond up to the Maturity Date of the Convertible Bond.

- (ii) The Company shall have the right to give 5 Business Days' notice to ask the Bondholder to convert the whole or any part of the outstanding principal amount of the Convertible Bond into Shares at the Conversion Price per Share when the 15 days average price preceding to the date of the said notice is HK\$0.15 or above.

Share Lending:

- (i) The Company undertakes and agrees;
 - A. prior to each relevant Conversion Date, to procure that the Share Lender has entered into and remains bound by the Share Lending Agreement; and
 - B. on each relevant Conversion Date, to procure that the Share Lender lend and transfer to the Subscriber, pursuant to and in accordance with the terms of the Share Lending Agreement, such number of Shares (the “**Loan Shares**”) in aggregate equal to one hundred per cent (100%) of such Conversion Shares to be issued pursuant to the relevant Conversion Notice prior to the corresponding Conversion Date, and all Loan Shares delivered to the Subscriber shall be listed on the Stock Exchange and free of all Encumbrances and trading restrictions (the “**Share Lending**”).
- (ii) The Subscriber shall have the right to redeliver the Loan Shares to the Share Lender by assigning, or procuring the assignment to the Share Lender of, the rights, title, and claims the Subscriber or any person acting by order of the Subscriber may have against the Company pursuant to a Conversion Notice, whether or not such Shares have been issued by the Company and/or are listed on the Stock Exchange, and such assignment shall satisfy the Subscriber's redelivery obligation under the Share Lending Agreement to the extent of the rights over Shares assigned.
- (iii) The Company undertakes that it shall comply, and it shall procure that the Share Lender complies, with all applicable notification obligations resulting from any Share Lending under any applicable laws, rules, and regulations in Hong Kong and shall otherwise duly comply with any applicable laws, rules, and regulations in Hong Kong.

Events of Default:

If any of the following events occurs, the Bondholder may give notice to the Company that the Convertible Bond is, and it shall on the giving of such notice immediately become, due and payable at its principal amount and the interest accrued then remaining unpaid:

- (i) the Company fails to pay the principal when due unless non-payment of such amount is due solely to administrative or technical error and payment is made within five (5) Business Days of the due date for the payment thereof; or
- (ii) the Company fails to issue Conversion Shares in accordance with the terms and conditions of the Convertible Bond, unless non-issuance is due solely to administrative or technical error and payment is made within five (5) Business Days of the Conversion Date, or the Share Lender fails to fulfil its obligations to deliver Shares to the Bondholder under the Share Lending Agreement; or
- (iii) the Company defaults in performance or observance or compliance with any of its other obligations set out herein which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the Bondholder remedied within ten (10) Business Days after notice of such default shall have been given to the Company by such Bondholder; or
- (iv) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any part of the undertaking, property, assets or revenues of the Company or its subsidiaries; or
- (v) the Company or its subsidiaries becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or its subsidiaries or the whole or any part of the undertaking, property, assets or revenues of the Company or its subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors; or
- (vi) an order is made or an effective resolution passed for winding-up of the Company or any of its subsidiaries except in the case of winding-up of subsidiaries in the course of internal reorganisation; or

- (vii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its subsidiaries; or
- (viii) the Shares (as a class) cease to be listed on the Stock Exchange or a recognised stock exchange for a continuous period of ten (10) trading days.
- (ix) the occurrence of any event or any action taken or omission made by the Company so as to render unlawful the performance or observance or compliance by the Company with of any of its material obligations contained in the conditions of the Convertible Bond, or would otherwise result in any material terms contained in the conditions of the Convertible Bond be or becoming unenforceable, or would otherwise render the Convertible Bond inadmissible as evidence in court; or
- (x) any present or future indebtedness of the Company for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default or event of default, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or the Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; or
- (xi) any litigation, arbitration, administrative, governmental, regulatory, or other investigations, proceedings, requisitions or disputes or any regulatory action sanction or fine against the Company or any member of the Group or in relation to its assets would result in a material adverse change; or
- (xii) any governmental agency seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any member of the Group or makes an order therefor which, in any such case, would result in a material adverse change; or

- (xiii) a representation, statement, warranty or undertaking made or deemed to be made or repeated by the Company under the Subscription Agreement or with respect to this Convertible Bond or in any document delivered by or on behalf of the Company under the Subscription Agreement or with respect to this Convertible Bond is or proves to have been incorrect or misleading when made or deemed to be made or repeated or otherwise have been breached in any material respect; or
- (xiv) when there is a Change of Control.

For the purposes of Event of Default Condition:

“Control” means the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms “Controlling” and “Controlled” shall have meanings correlative to the foregoing;

a **“Change of Control”** occurs when:

- (a) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the execution date of the Subscription Agreement;
- (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity; or
- (c) one or more Persons (other than any Person referred to in subparagraph (a) above) acquires the legal or beneficial ownership of more than 50% of the Company’s issued share capital.

“Person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s board of directors or any other governing board and does not include the Company’s wholly-owned direct or indirect subsidiaries.

The Company will forthwith on becoming aware of any such event as is mentioned in this event of default condition give notice in writing thereof to the Bondholder. At any time after the Convertible Bond has become payable the Bondholder may without further notice institute such proceedings as it may think fit to enforce payment of the monies due.

Voting: The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The following table summarises the shareholding structure of the Company as at the date of this announcement and immediately after full conversion of the Convertible Bonds (assuming that there is no other change in the share capital of the Company from the date of this announcement and the Conversion Price is HK\$0.10 per Conversion Share).

	As at the date of this announcement		Immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds (Note 2)	
	No. of Shares	%	No. of Shares	%
Director				
Sin Kwok Lam ("Mr. Sin") and his associate (Note 1)	1,584,147,296	19.03%	1,584,147,296	18.48%
Chow Kai Weng	39,254,139	0.47%	39,254,139	0.46%
Chui Chi Yun Robert	3,000,000	0.04%	3,000,000	0.03%
Li Kit Chee	4,480,000	0.05%	4,480,000	0.05%
Subscriber	–	0.00%	250,000,000	2.92%
Public Shareholders	6,692,986,934	80.41%	6,692,986,934	78.06%
Total	8,323,868,369	100.00%	8,573,868,369	100.00%

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.
- The figures in this column are for illustrating the full dilution effect on the shareholding of the existing Shareholders and are based on the assumption that all the Convertible Bonds are converted at HK\$0.10 per Conversion Share.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company organised under the laws of Luxembourg. The Subscriber is a private equity investment company based in the Europe which was founded in 1991 and specialises in investment in emerging markets across the world and manages a diverse set of investment vehicles across the world.

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Subscriber and their respective ultimate beneficial owners are Independent Third Parties of the Company and not connected persons (as defined in the GEM Listing Rules) of the Company.

USE OF PROCEEDS

The net proceeds from the issue of the Convertible Bonds will be approximately HK\$25,000,000. The Group intends to use all the net proceeds for its working capital and settlement of the professional fees. The net conversion price is approximately HK\$0.1, assuming that 250,000,000 Conversion Shares are issued at the conversion price of HK\$0.1.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the date of this announcement.

GENERAL MANDATE

Upon full conversion of the Convertible Bonds of the Conversion Price of HK\$0.10 per Conversion Share (subject to adjustments), a total of 250,000,000 Conversion Shares will be issued, representing approximately 3.00% of the existing issued share capital of the Company and approximately 2.92% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Company is authorised to allot, issue and otherwise deal with up to 504,128,153 Shares until the revocation, variation or expiration of the General Mandate. As at the date of this announcement, 916,528,925 Shares have been allotted and issued under the General Mandate.

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

As the completion of the Subscription Agreement is subject to the fulfillment of the conditions precedent therein and therefore may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Adjustments of Conversion Price

- (a) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (i) to (vii) it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:
- (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount so that the Bondholder shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event, but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event or any time thereafter. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.
 - (ii) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation. Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (iii) If and whenever the Company shall make any Capital Distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

- A = the market price of one Share on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) last preceding day of the Capital Distribution or, as the case may be, of the grant; and
- B = the fair market value on the day of such announcement or (as the case may require) the next day, as determined in good faith by an approved financial adviser, of the portion of the Capital Distribution or of such rights which is attributable to one Share,

Provided that:

- (aa) if in the opinion of the relevant approved financial adviser, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said market price which should properly be attributed to the value of the Capital Distribution or rights; and
- (bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

- (iv) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, open offer or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80 per cent. of the market price on the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant.
- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share (as defined below) initially receivable for such securities is less than 80 per cent. of the market price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80 per cent. of the market price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such market price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (v), the “total Effective Consideration” receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

- (vi) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80 per cent. of the market price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue.
- (vii) If and whenever the Company shall issue Shares for the acquisition of any asset at a total Effective Consideration per Share which is less than 80% of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by an approved financial adviser. Such adjustment shall become effective on the date of issue. For the purpose of this sub-paragraph (vii) “**total Effective Consideration**” shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**total Effective Consideration per Share**” shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.
- (viii) If the Company or the Bondholder determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in sub-paragraphs (i) to (vii) above) (even if the relevant event or circumstance is specifically excluded in the Conditions from the operation of sub-paragraphs (i) to (vii) above), or that an adjustment should be made in a manner other than in accordance with sub-paragraphs (i) to (vii) above, the Company may, or, if requested in writing by the Bondholder, the Company shall, at its own expense, request an approved financial adviser, acting as expert, to determine as soon as practicable (1) what adjustment (if any) to the Conversion Price is fair and reasonable to take into account thereto and is appropriate to give the result which the approved financial adviser considers in good faith to reflect the intentions of the provisions; and (2) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (viii) if the approved financial adviser is so requested to make such a determination.

“Capital Distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie. Any dividend charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution Provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after 31 December 2016 as shown in the audited consolidated profit and loss account of the Company and its subsidiaries for each financial period ended 31 December;

“issue” shall include allot;

“market price” means the average of the closing prices of one Share on the Stock Exchange for each of the last five Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained;

“reserves” includes unappropriated profits;

“rights” includes rights in whatsoever form issued;

“Shares” includes, for the purposes of Shares comprised in any issue, distribution or grant pursuant to sub-paragraphs (iii), (iv), (v), (vi), or (vii), any such ordinary shares of the Company as, when fully paid, will be Shares;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

- (c) The provisions of sub-paragraphs (ii), (iii), (iv), (v), and (vi) shall not apply to:
- (i) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including any conversion of the Bond or any other convertible bond of the same class as this Bond) to acquire Shares provided that an adjustment has been made in respect of the issue of such securities or granting of such rights (as the case may be);
 - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares to officers or employees of the Company or any of its subsidiaries pursuant to any employee or executive share scheme;

- (iii) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 120 per cent. (120%) of the amount of dividend which holders of the Shares could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices for such Stock Exchange dealing days on which dealings in the Shares took place (being not less than five such days) as are selected by the directors of the Company in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or
 - (iv) an issue of fully paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights to acquire Shares where such rights were granted prior to the issue of the Bond.
- (d) Any adjustment to the Conversion Price shall be made to the nearest one tenth (1/10) of a cent so that any amount under half of one tenth (1/10) of a cent shall be rounded down and any amount of half of one tenth (1/10) of a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the directors of the Company every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the auditors of the Company for the time being or by an approved financial adviser.
 - (e) Notwithstanding anything contained herein, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions would be less than one tenth (1/10) of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
 - (f) If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint an approved financial adviser to consider whether any adjustment to the Conversion Price is appropriate (and if such approved financial adviser shall certify that any such adjustment is appropriate).

- (g) in any circumstances where the directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the provisions, the Company may appoint an approved financial adviser to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved financial adviser shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved financial adviser to be in its opinion appropriate.
- (h) Whenever the Conversion Price is adjusted as herein provided the Company shall give notice to the Bondholder forthwith that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the adjustment Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as the Bond remains outstanding make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the auditors of the Company or (as the case may be) of the relevant approved financial adviser and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof and shall, on request, send a copy thereof to the Bondholder.
- (i) If application of any of the provisions would but for this sub-paragraph result in the Conversion Price being reduced to less than the nominal value of the Share, then the Conversion Price shall be adjusted to an amount equal to the nominal value of the Share.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“Bond Selling Price”	a price equal to 100% of the HK\$ principal amount of the Convertible Bonds issued to the Subscriber under the Subscription Agreement
“Business Day(s)”	a day (excluding Saturday, Sunday, and public holidays) on which banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	National Arts Entertainment and Culture Group Limited
“Completion Date”	the date on or before the second Business Day after fulfilment of all of the Conditions Precedent, or such other date as the Company and the Subscriber may mutually agree;
“Conversion Price”	HK\$0.1, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds and shall not be less than the par value of a Share
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
“Convertible Bond(s)”	the convertible bond(s) in the aggregate principal amount of HK\$25,000,000 to be issued by the Company to the Subscriber subject to the provisions of the terms and conditions thereon
“Conversion Share(s)”	the Shares, when issued and delivered upon conversion of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“General Mandate”	the general and unconditional mandate granted to the Directors by way of an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 30 July 2020 to allot, issue and otherwise deal with new Shares not exceeding 20% of the total number of Shares in issue as at the date of passing of that resolution
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Date”	the issue date of the Convertible Bonds on the Completion Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	the third anniversary of the Issue Date
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Lender”	the shareholder of the Company who has entered into the Share Lending Agreement;
“Share Lending Agreement”	the agreement to be entered into between the Share Lender and the Subscriber for the lending of Shares from the Share Lender to the Subscriber from time to time;
“Subscriber”	GEM Global Yield, LLC SCS, a company incorporated under the laws of Luxembourg as the subscriber of the Convertible Bonds, is the same entity of the Share Subscription Facility agreement dated 13 March 2020
“Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 17 April 2021 entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds in the aggregate principal amount of HK\$25,000,000
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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, 18 April 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 on the “Investor Relations” page.