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National Arts Group Holdings Limited
國藝集團控股有限公司

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

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

(Stock Code: 8228)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE IN WISE CIRCUIT LIMITED
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 29 November 2021 (after trading hours of the Stock Exchange), the Company as the purchaser entered into the Sale and Purchase Agreement with the Vendor and the Guarantor pursuant to which the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Share at a total consideration of HK\$18,800,000.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

Date: 29 November 2021 (after trading hours of the Stock Exchange)

Parties: (1) Great Success Investment Holdings Limited, as vendor;
(2) the Company, as purchaser; and
(3) Leung Tak Chee Frankie, as guarantor.

The Vendor is an investment holding company incorporated in Hong Kong with limited liability. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, its ultimate beneficial owner(s) and the Guarantor are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share in the Target Company.

Consideration

The consideration for the sale and purchase of the Sale Share shall be the sum of HK\$18,800,000. The Consideration shall be satisfied by the Company on Completion by allotting and issuing to the Vendor the Consideration Shares credited as fully paid, at the Issue Price.

The Consideration was determined after arms' length negotiations between the Company and the Vendor taking into account the preliminary valuation of the Properties of HK\$20,700,000 as at 1 November 2021 by CresVAL Corporate Advisory Group Limited, an independent valuer, based on direct comparison method.

The Consideration Shares

Issue Price

The Consideration Shares will be issued at the Issue Price of approximately HK\$0.113 per Share, which represents:

- (i) a premium of approximately 9.71% over the closing price of HK\$0.103 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (ii) a premium of approximately 2.73% over the average closing price of HK\$0.11 per Share for the five consecutive trading days up to and including the Last Trading Day.

The Issue Price was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement after taking into account the prevailing market price of the Shares.

Number of Consideration Shares

When allotted and issued, the Consideration Shares represent approximately:

- (i) 20.00% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Ranking

The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue.

Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 166,477,367 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of the Consideration Shares.

Application for listing

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (a) the Company being reasonably satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group;

- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (c) all necessary consents, licences and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (d) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all respects;
- (e) the warranties given by the Company under the Sale and Purchase Agreement remaining true and accurate;
- (f) the obtaining of a Malaysian legal opinion (in the approval form) from a firm of Malaysian legal advisers appointed by the Company;
- (g) the obtaining of a valuation report (in the approval form) from a firm of independent professional valuers appointed by the Company showing the Valuation to be not less than the Consideration; and
- (h) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares.

The Company may at its absolute discretion at any time waive in writing any of the conditions set out in (a) and (d) above. The Vendor may at its absolute discretion at any time waive in writing the condition set out in (e) above. Other conditions are incapable of being waived by any of the parties to the Sale and Purchase Agreement. If the conditions above have not been satisfied (or as the case maybe, waived) at or before 12:00 noon on 31 December 2021, or such later date as the Vendor and the Company may agree, the Sale and Purchase Agreement shall cease and determine and thereafter neither party thereto shall have any obligations and liabilities under the Sale and Purchase Agreement save for any antecedent breaches of the terms thereof.

Guarantee

Pursuant to the Sale and Purchase Agreement, the Guarantor has given a guarantee in favour of the Company for the full, punctual and complete performance of the obligations of the Vendor under the Sale and Purchase Agreement.

Completion

Subject to the fulfillment or waiver (as the case may be) of the conditions under the Sale and Purchase Agreement, Completion shall take place at 4:00 p.m. on the Completion Date.

Upon Completion, the Target Group will become an indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

Waiver of debt

At Completion, the Vendor shall waive all obligations, liabilities and debts owing or incurred by the Target Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion which as at the date of this announcement, amounted to HK\$20,715,757.

Return guarantee

Pursuant to the Sale and Purchase Agreement, the Company shall lease the Properties to the Vendor for its operations, and the Vendor irrevocably warrants and guarantee to the Company the following return (being the return net of all operating expenses, including management fees, utilities expenses, rates, levies, taxes and insurance in relation to the Properties) from the Properties (the “**Guaranteed Return**”) during each of the following periods (the “**Guaranteed Period**”):

- (a) 12 month period commencing on 1 April 2023 and ending on 31 March 2024 a return equivalent to 3.5% of the Consideration;
- (b) 12 month period commencing on 1 April 2024 and ending on 31 March 2025 a return equivalent to 4.25% of the Consideration;
- (c) 12 month period commencing on 1 April 2025 and ending on 31 March 2026 a return equivalent to 4.75% of the Consideration;
- (d) 12 month period commencing on 1 April 2026 and ending on 31 March 2027 a return equivalent to 5.25% of the Consideration; and
- (e) 12 month period commencing on 1 April 2027 and ending on 31 March 2028 a return equivalent to 5.75% of the Consideration.

For the avoidance of doubt, the above guarantee shall not be affected even if the Developer fails to deliver the vacant possession of the Properties to the Malaysian Subsidiary prior to the commencement of the Guaranteed Period.

If the actual return (being the return net of all operating expenses, including management fees, utilities expenses, rates, levies, taxes and insurance in relation to the Properties) from the Properties (the “**Actual Return**”) for each of the periods in the Guaranteed Period is less than the Guaranteed Return, then the Vendor shall pay to the Company in cash an amount calculated as follows:

$$A = (\text{Guaranteed Return} - \text{Actual Return})$$

where A is the amount payable to the Company.

Put Option

Pursuant to the Sale and Purchase Agreement, the Vendor granted to the Company the Put Option whereby in the sole event that the Developer has not delivered the vacant possession of the Properties on or before 31 December 2025, the Company may exercise the Put Option at its discretion during the Put Option Period to require the Vendor to purchase from the Company the Sale Share at the Put Option Price.

The Put Option Price shall be satisfied by the Vendor by remittance in immediately available funds to such bank account to be designated by the Purchaser on the Put Option Completion Date.

Upon the exercise of the Put Option, (i) the Company shall as beneficial owner sell and the Vendor shall purchase the Sale Share free from all liens, charges, encumbrances, equities and other adverse third party rights and together with all rights attaching thereto as at the Put Option Completion Date; and (ii) the Guaranteed Period shall end on 31 March 2026 and the Vendor shall no longer warrant and guarantee to the Company the Guaranteed Return for the 12 month period commencing on 1 April 2026 and ending on 31 March 2027 and the 12 month period commencing on 1 April 2027 and ending on 31 March 2028.

In the event that the Company decides to exercise the Put Option, the exercise of the Put Option may constitute a notifiable transaction on the part of the Company under the GEM Listing Rules. The Company shall make further announcement(s) in relation to the exercise of the Put Option in compliance with the GEM Listing Rules as and when appropriate.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Target Company holds the entire issued shares in the Subsidiary.

The Subsidiary is an investment holding company incorporated in Hong Kong with limited liability. As at the date of this announcement, the Subsidiary holds the entire issued shares in the Malaysian Subsidiary.

The Malaysian Subsidiary is a property holding company incorporated in Malaysia with limited liability. The principal assets of the Malaysian Subsidiary are the Properties. The Malaysian Subsidiary entered into four sale and purchase agreements (the “SPAs”) with the Developer on 9 September 2021 in relation to the sale and purchase of the Properties. The Properties are under development and completion of the SPAs has not taken place. The Developer shall deliver the vacant possession of the Properties to the Malaysian Subsidiary on or before 31 March 2023.

The Properties are four service apartments units with an aggregate gross floor area of 8,000 sq. ft. in Block R1 of the development project known as MM Residency, which is located at the north-eastern side of Jalan Melawati 1 near its junction with Jalan G 1, Melawati, Selangor, Malaysia. MM Residency comprises one block of service apartment and two blocks of SOHO with a total of 420 units to be erected over an 8-storey carpark and commercial podium and is expected to be completed by 4th quarter of 2023.

Financial information of the Target Group

Set out below is the financial information of the Target Group from the date of incorporation of the Target Company (i.e. 9 August 2021) to 11 November 2021:

	For the period ended 11 November 2021 HK\$ (unaudited)
Loss before taxation	21,648
Loss after taxation	<u>21,648</u>
Net liabilities	<u><u>21,640</u></u>

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in investment holdings. 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 hotels.

It has been the Company’s objective to explore investment opportunities in property investment in overseas countries, with an aim to deliver reasonable returns for Shareholders through a series of acquisitions and proposed cooperation. The Company considers that the Acquisition is in line with the overall business direction of the Group and is a good investment opportunity to step into the property investment industry in the Malaysia property market.

In addition, the Company intends to hold the Properties for investment purpose and lease the Properties to the Vendor for its operations. The Vendor, together with the Guarantor, have agreed to guarantee with the Company the return of the Properties as mentioned in the paragraph headed “Return guarantee” above. Taking into account the prime location of the Properties located in Selangor, the Group believes that the Acquisition could generate stable cashflow and income to the Group and may enjoy potential capital appreciation in the future.

In view of the above, the Directors consider that the entering into of the Sale and Purchase Agreement and the terms of the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE ACQUISITION ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon Completion and immediately after the allotment and issuance of the Consideration Shares:

	As at the date of this announcement		Upon Completion and immediately after the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Directors				
Chow Kai Weng	3,925,414	0.47	3,925,414	0.39
Li Kit Chee	448,000	0.05	448,000	0.04
Chui Chi Yun Robert	300,000	0.04	300,000	0.03
Substantial Shareholder				
Leung Ka Chun	148,092,336	17.79	148,092,336	14.83
Public Shareholders				
The Vendor	–	–	166,477,367	16.67
Other public Shareholders	679,621,086	81.65	679,621,086	68.04
	<u>832,386,836</u>	<u>100</u>	<u>998,864,203</u>	<u>100</u>

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Share by the Company from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday on which banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	National Arts Group Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date falling on the third Business Day after the fulfillment (or waiver) of the conditions under the Sale and Purchase Agreement or such other date as the Company and the Vendor may agree
“Consideration”	the consideration for the Sale Share under the Sale and Purchase Agreement
“Consideration Shares”	166,477,367 new Shares to be allotted and issued by Company to the Vendor for the purpose of settlement of the Consideration, at the Issue Price, representing approximately 16.67% of the enlarged issued share capital of the Company immediately after the allotment and issuance of Consideration Shares
“Developer”	TSA Land Sdn. Bhd., being the developer of the Properties
“Directors”	directors of the Company
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 23 November 2021 to allot and issue up to 166,477,367 Shares, representing 20% of the total number of Shares on the date of passing such resolution
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Leung Tak Chee Frankie
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Issue Price”	the issue price of approximately HK\$0.113 for each Consideration Share
“Last Trading Day”	29 November 2021, being the last trading day of the Shares immediately prior to the release of this announcement
“Malaysian Subsidiary”	MMR Four Property Sdn. Bhd., a company incorporated in Malaysia and an indirect wholly-owned subsidiary of the Target Company
“Properties”	the properties beneficially owned by the Malaysian Subsidiary, namely four service apartment units with an aggregate gross floor area of 8,000 sq. ft. in Block R1 of the development project known as MM Residency, which is located at the north-eastern side of Jalan Melawati 1 near its junction with Jalan G 1, Melawati, Selangor, Malaysia
“Put Option”	the put option to require the Vendor to purchase from the Company the Sale Share at the Put Option Price
“Put Option Completion Date”	31 March 2026 (or such later date as may be agreed by the Company, the Vendor and the Guarantor in writing)
“Put Option Period”	the period commencing on 1 January 2026 and ending on 31 March 2026 (or such later date as may be agreed by the Company, the Vendor and the Guarantor in writing)
“Put Option Price”	the amount equivalent to the Consideration

“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the agreement dated 29 November 2021 and entered into between the Company, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Share
“Sale Share”	one ordinary share of the Target Company, representing the entire issued share in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	MMR Asia Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Target Company
“Target Company”	Wise Circuit Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	collectively, the Target Company, the Subsidiary and the Malaysian Subsidiary
“Valuation”	the value of the Properties shown in the valuation report, such valuation shall be prepared in compliance with the requirements of the GEM Listing Rules, on such methodology, bases and assumptions as may be agreed by the Vendor and the Company
“Vendor”	Great Success Investment Holdings Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent.

By order of the Board
National Arts Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)

Chow Kai Weng
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 29 November 2021

As at the date of this announcement, the executive Directors are Mr. Chow Kai Weng (Chairman and Chief Executive Officer), Mr. Cheng Wang Chun and Mr. Ho Leung Ting, the non-executive Director is Dr. Lam Lee G. and the independent non-executive Directors are Mr. Chui Chi Yun Robert, Mr. Li Kit Chee and 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 Stock Exchange's website at www.hkexnews.hk and on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.nationalarts.hk.