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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China National Culture Group Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**(1) PROPOSED SHARE CONSOLIDATION; AND  
(2) PROPOSED CAPITAL REDUCTION OF  
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES**

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A notice convening an EGM of China National Culture Group Limited to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 20 April 2020 is set out on pages 18 to 20 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of China National Culture Group Limited in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

27 March 2020

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## CONTENTS

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	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Expected timetable</b> .....	4
<b>Letter from the Board</b> .....	6
<b>Notice of Extraordinary General Meeting</b> .....	18

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:*

“Announcement”	the announcement of the Company dated 4 March 2020 regarding the proposed Share Consolidation, the Capital Reduction and the Share Sub-division
“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the nominal value of each of the issued Consolidated Shares will be reduced from HK\$0.4 each to HK\$0.04 each by cancelling the paid up capital to the extent of HK\$0.36 on each issued Consolidated Share
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	China National Culture Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	the ordinary share(s) of par value HK\$0.4 each in the share capital of the Company upon the Share Consolidation becoming effective
“Consolidated Preference Share(s)”	the non-voting convertible preference share(s) of par value HK\$1.40 each in the share capital of the Company upon the Share Consolidation becoming effective

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## DEFINITIONS

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“Court”	the Grand Court of the Cayman Islands
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Capital Reduction and the Share Sub-division shall become effective
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Share Consolidation, the Capital Reduction and the Share Sub-division
“Existing Share(s)”	the ordinary share(s) of par value HK\$0.02 each in the share capital of the Company before the Share Consolidation becoming effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	collectively, the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23 March 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company, as amended from time to time
“New Share(s)”	ordinary share(s) of par value HK\$0.04 each in the issued and unissued share capital of the Company upon the Capital Reduction and the Share Sub-division becoming effective

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## DEFINITIONS

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“New Preference Share(s)”	the non-voting convertible preference shares of par value HK\$0.14 each in the issued and unissued share capital of the Company upon the Capital Reduction and the Share Sub-division becoming effective
“Preference Share(s)”	the non-voting convertible preference shares of par value HK\$0.07 each in the share capital of the Company
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, the address of which is at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Share(s)”	the Existing Share(s) and/or the Preference Share(s) and/or the Consolidated Share(s) and/or the Consolidated Preference Share(s) and/or the New Share(s) and/or the New Preference Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of (i) every twenty (20) issued and unissued Existing Shares of par value HK\$0.02 each in the share capital of the Company into one (1) Consolidated Share of par value HK\$0.4 each; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK\$0.07 each in the share capital of the Company into one (1) Consolidated Preference Share of par value HK\$1.40 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 29 August 2014
“Share Sub-division”	the proposed sub-division of each authorised but unissued Consolidated Share of par value HK\$0.4 each and each authorised but unissued Consolidated Preference Share of par value HK\$1.40 each into 10 New Shares of par value HK\$0.04 each and 10 New Preference Shares of par value HK\$0.14 each respectively
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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## EXPECTED TIMETABLE

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*The expected timetable for the Share Consolidation, the Capital Reduction and the Share Sub-division is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation, the Capital Reduction and the Share Sub-division and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.*

### Date

Latest date and time for lodging transfer documents  
in order to qualify for attending and  
voting at EGM . . . . . 4:30 p.m. on Tuesday, 14 April 2020

Closure of register of members for determining  
the entitlement to attend and vote at the EGM  
(both dates inclusive) . . . . . Wednesday, 15 April 2020 to  
Monday, 20 April 2020

Latest date and time for lodging the proxy  
form for the EGM . . . . . 11:00 a.m. on Saturday, 18 April 2020

Record date for EGM . . . . . Monday, 20 April 2020

Date and time of the EGM . . . . . 11:00 a.m. on Monday, 20 April 2020

Announcement of results of the EGM . . . . . Monday, 20 April 2020

***The following events are conditional upon the results of the EGM and therefore the dates are tentative only.***

Effective date of the Share Consolidation . . . . . Wednesday, 22 April 2020

First day of free exchange of existing share certificates  
into new share certificates for Consolidated Shares . . . . . Wednesday, 22 April 2020

Dealings in Consolidated Shares commence . . . . . 9:00 a.m. on Wednesday, 22 April 2020

Original counter for trading in Shares  
in board lots of 10,000 Existing Shares  
(in the form of existing share certificates)  
temporarily closes . . . . . 9:00 a.m. on Wednesday, 22 April 2020

Temporary counter for trading in Consolidated Shares  
in temporary board lot of 500 Consolidated Shares  
(in the form of existing share certificates) opens . . . 9:00 a.m. on Wednesday, 22 April 2020

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## EXPECTED TIMETABLE

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### Date

Original counter for trading in Consolidated Shares  
in board lot of 10,000 Consolidated Shares  
(in the form of new share certificates for  
Consolidated Shares) re-opens . . . . . 9:00 a.m. on Friday, 8 May 2020

Parallel trading in the Shares and Consolidated Shares  
(in the form of existing share certificates and  
new share certificates) commences . . . . . 9:00 a.m. on Friday, 8 May 2020

Designated broker starts to stand in the market to  
provide matching services for sale and purchase  
of odd lots of Consolidated Shares . . . . . 9:00 a.m. on Friday, 8 May 2020

Temporary counter for trading in Consolidated Shares  
in temporary board lot of 500 Consolidated Shares  
(in the form of existing share certificates) closes . . . . 4:10 p.m. on Thursday, 28 May 2020

Parallel trading in Consolidated Shares (in the form  
of new share certificates for Consolidated Shares  
and existing share certificates) ends . . . . . 4:10 p.m. on Thursday, 28 May 2020

Designated broker ceases to stand in the market  
to provide matching services for sale and  
purchase of odd lots of Consolidated Shares . . . . . 4:10 p.m. on Thursday, 28 May 2020

Last day for free exchange of existing share certificates  
into new share certificates for Consolidated Shares . . . . . Monday, 1 June 2020

***The following events are conditional upon the results of the EGM and the confirmation  
of the Court on the Capital Reduction and therefore the dates are tentative only.***

Effective time of the Capital Reduction and  
the Share Sub-division . . . . . Before 9:00 a.m. on Friday, 3 July 2020

Commencement of dealing in the New Shares . . . . . 9:00 a.m. on Friday, 3 July 2020

First day of free exchange of existing share certificates  
for the Consolidated Shares into new share certificates  
for New Shares . . . . . Friday, 3 July 2020

Last day of free exchange of existing share certificates  
for the Consolidated Shares into  
new share certificates for New Shares . . . . . Monday, 10 August 2020

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Ms. Sun Wei

Ms. Man Qiaozhen

*Independent non-executive Directors:*

Mr. Liu Kwong Sang

Ms. Wang Miaojun

Ms. Wang Yujie

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Hong Kong Principal Place of Business:*

Office Unit 403, 4th floor

Wing Tuck Commercial Centre

177-183 Wing Lok Street

Sheung Wan, Hong Kong

27 March 2020

*To the Shareholders*

Dear Sir/Madam,

**(1) PROPOSED SHARE CONSOLIDATION; AND  
(2) PROPOSED CAPITAL REDUCTION OF  
ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES**

**INTRODUCTION**

The Company has announced on 4 March 2020 regarding the proposed Share Consolidation, the Capital Reduction and the Share Sub-division. The purpose of this circular is to provide you with information regarding the proposed Share Consolidation, the Capital Reduction and the Share Sub-division and the notice of EGM for the purpose of considering and, if thought fit, approving the resolutions to be proposed.



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## LETTER FROM THE BOARD

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### **PROPOSED SHARE CONSOLIDATION**

The Board proposes that (i) every twenty (20) issued and unissued Existing Shares of par value HK\$0.02 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value HK\$0.4 each in the share capital of the Company; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK\$0.07 each in the share capital of the Company will be consolidated into one (1) Consolidated Preference Share of par value HK\$1.40 each in the share capital of the Company.

### **Effect of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,490,000,000 divided into 50,000,000,000 Existing Shares of par value HK\$0.02 each and 7,000,000,000 Preference Shares of par value HK\$0.07 each, of which 9,814,410,000 Existing Shares have been issued and are fully paid or credited as fully paid and no Preference Shares have been issued.

Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub-division becoming effective, and assuming no further Existing Shares will be issued or repurchased from the Latest Practicable Date up to and including the effective date of the Share Consolidation, the authorised share capital of the Company shall be HK\$1,490,000,000 divided into 2,500,000,000 Consolidated Shares of par value HK\$0.4 each and 350,000,000 Consolidated Preference Shares of par value HK\$1.40 each, of which 490,720,500 Consolidated Shares will have been issued and will be fully paid or credited as fully paid and no Consolidated Preference Shares will have been issued.

Upon the Share Consolidation becoming effective, all the Consolidated Shares will rank pari passu in all respects with each other and all the Consolidated Preference Shares will rank pari passu in all respects with each other each in accordance with the Memorandum and the Articles.

The implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions:

1. the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;

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## LETTER FROM THE BOARD

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2. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
3. the compliance with the relevant procedures and requirements under the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 22 April 2020, being one clear Business Day immediately after the date of the EGM.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

### **Reasons for the Share Consolidation**

Pursuant to Rule 13.64 of Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities.

The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has stated that market price of the Shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules.

In view of the recent trading prices of the Shares at a level less than HK\$0.1 and the existing board lot value being less than HK\$2,000, the proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. As such, it would (i) enable the Company to comply with the trading requirements under the Listing Rules; and (ii) reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange and will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. With a higher trading price of the Consolidated Shares will enhance the Company’s corporate image and reduce the transaction and handling costs as a proportion of the market value of each board lot, the Board believes that it will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus further broaden the shareholder base of the Company. The Share Consolidation will not have any adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

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## LETTER FROM THE BOARD

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Up to the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

In view of the above reasons, the Company considers the proposed Share Consolidation is justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

### **Application for the listing of the Consolidated Shares**

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

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares and Preference Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares and Consolidated Preference Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### **Exchange of share certificates for the Consolidated Shares**

Subject to the Share Consolidation becoming effective, which is currently expected to be on Wednesday, 22 April 2020, being one clear Business Day immediately after the date of the EGM, Shareholders may between 9:00 a.m. and 4:30 p.m. on any Business Day during the period from Wednesday, 22 April 2020 to Monday, 1 June 2020 (both days inclusive), submit share

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## LETTER FROM THE BOARD

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certificates for the Existing Shares (in red colour) to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Consolidated Shares (in purple colour) at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 each (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates involved is higher.

After 4:10 p.m. on Thursday, 28 May 2020, trading will only be in Consolidated Shares which share certificates will be issued in purple colour. Existing share certificates in red colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

### **Arrangement on odd lot trading**

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed an agent to provide matching services, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Shareholders who wish to take advantage of this facility should contact Suncorp Securities Limited at Unit 3616, 36/F, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong (telephone number: (852) 3899 1803) from 9:00 a.m. on Friday, 8 May 2020 to 4:10 p.m. on Thursday, 28 May 2020.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

### **PROPOSED CAPITAL REDUCTION AND SHARE SUB-DIVISION**

The Board further proposes that immediately following the Share Consolidation becoming effective, the Capital Reduction and the Share Sub-division be implemented in the following manner:

- (i) the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK\$0.36 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.4 to HK\$0.04;

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## LETTER FROM THE BOARD

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- (ii) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$0.4 each and each of the authorised but unissued Consolidated Preference Shares of par value HK\$1.40 each be sub-divided into ten (10) New Shares of par value HK\$0.04 each and ten (10) New Preference Shares of par value HK\$0.14 each respectively; and
- (iii) each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all respects with each other and each of the New Preference Shares arising from the Share Sub-division shall rank *pari passu* in all respects with each other and each shall have rights and privileges and be subject to the restrictions as contained in the Memorandum and the Articles.

### **Effect of the Capital Reduction and the Share Sub-division**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,490,000,000 divided into 50,000,000,000 Existing Shares of par value HK\$0.02 each and 7,000,000,000 Preference Shares of par value HK\$0.07 each, of which 9,814,410,000 Existing Shares have been issued and are fully paid or credited as fully paid and no Preference Shares have been issued.

Immediately upon the Share Consolidation, the Capital Reduction and the Share Sub-division becoming effective and assuming no further Existing Shares and no Preference Shares or (as the case may be) Consolidated Shares and Consolidated Preference Shares will be issued or repurchased from the Latest Practicable Date up to and including the Effective Date, the authorised share capital of the Company shall be HK\$1,490,000,000 divided into 25,000,000,000 New Shares of par value HK\$0.04 each and 3,500,000,000 New Preference Shares of par value HK\$0.14 each, of which 490,720,500 New Shares will have been issued as fully paid or credited as fully paid and no New Preference Shares will have been issued.

Based on the 9,814,410,000 Existing Shares in issue as at the Latest Practicable Date or (as the case may be) 490,720,500 Consolidated Shares in issue as at the date on which the Share Consolidation becomes effective, and assuming no further Existing Shares and no Preference Shares or (as the case may be) Consolidated Shares and Consolidated Preference Shares will be issued or repurchased prior to the Effective Date, a credit amounting to approximately HK\$176,659,380 will arise as a result of the Capital Reduction. It is proposed that the credit arising from the Capital Reduction will be credited to the distributable reserve account of the Company, which will be utilised by the Company in such manner as the Board may deem fit and permitted under all applicable laws, the Memorandum and the Articles.

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## LETTER FROM THE BOARD

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Assuming that there is no change in the number of issued Shares from the Latest Practicable Date up to and including the date on which the Share Consolidation, the Capital Reduction and the Share Sub-division become effective, the share capital structure of the Company will be as follows:

	As at the Latest Practicable Date	Immediately upon the Share Consolidation becoming effective but prior to the Capital Reduction and the Share Sub- division becoming effective	Immediately upon the Capital Reduction and the Share Sub-division becoming effective
Par value	HK\$0.02 per Existing Share and HK\$0.07 per Preference Share	HK\$0.4 per Consolidated Share and HK\$1.40 per Consolidated Preference Share	HK\$0.04 per New Share and HK\$0.14 per New Preference Share
Amount of authorised share capital	HK\$1,490,000,000	HK\$1,490,000,000	HK\$1,490,000,000
Number of authorised shares	50,000,000,000 Existing Shares and 7,000,000,000 Preference Shares	2,500,000,000 Consolidated Shares and 350,000,000 Consolidated Preference Shares	25,000,000,000 New Shares and 3,500,000,000 New Preference Shares
Number of issued shares	9,814,410,000 Existing Shares	490,720,500 Consolidated Shares	490,720,500 New Shares
Amount of the issued share capital	HK\$196,288,200	HK\$196,288,200	HK\$19,628,820

After the completion of the proposed Share Consolidation, the size of each board lot of the Consolidated Shares will remain the same as that of the Existing Shares, being 10,000 Consolidated Shares per board lot and the New Shares will rank pari passu in all respects with each other and the New Preference Shares will rank pari passu in all respects with each other each in accordance with the Memorandum and the Articles.

Upon the Capital Reduction and the Share Sub-division becoming effective, the size of each board lot of the New Shares will remain the same as that of the Consolidated Shares, being 10,000 New Shares per board lot and the New Shares will rank pari passu in all respects with each other and the New Preference Shares will rank pari passu in all respects with each other each in accordance with the Memorandum and the Articles.

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## LETTER FROM THE BOARD

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Other than the expenses to be incurred in relation to the Share Consolidation, the Capital Reduction and the Share Sub-division which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Share Consolidation, the Capital Reduction and the Share Sub-division will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors are of the view that the Share Consolidation, the Capital Reduction and the Share Sub-division will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

### **Conditions of the Capital Reduction and the Share Sub-division**

The Capital Reduction and the Share Sub-division are conditional upon the following conditions:

1. the Share Consolidation has become effective;
2. the passing of a special resolution by the Shareholders to approve the Capital Reduction and the Share Sub-division at the EGM;
3. the Court granting an order confirming the Capital Reduction;
4. compliance with any conditions which the Court may impose in relation to the Capital Reduction;
5. registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
6. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Share Sub-division.

The Capital Reduction and the Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Share Consolidation, the Capital Reduction and the Share Sub-division at the EGM, the legal advisors to the Company (as to Cayman Islands law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company on the preliminary timetable as soon as the Court hearing dates are confirmed.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

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## LETTER FROM THE BOARD

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### **Reasons for the Capital Reduction and Share Sub-division**

Under the Companies Law, a company may not issue shares at a discount to the nominal value of such shares. Immediately after completion of the Share Consolidation but before implementation of the Capital Reduction and the Share Sub-division, the nominal value of the Consolidated Shares will be HK\$0.4 per Consolidated Share and the nominal value of Consolidated Preference Shares will be HK\$1.40 per Consolidated Preference Share. The Capital Reduction and the Share Sub-division will keep the nominal value of the New Shares at a lower level of HK\$0.04 per New Share and HK\$0.14 per New Preference Share, which allows greater flexibility in the pricing for any issue of new Shares in the future. The credit in the distributable reserve account arising from the Capital Reduction will enable the Company to set off its accumulated loss and may be applied in future for distribution to the Shareholders or in any manner permitted by applicable laws, the Memorandum and the Articles. The Board considers that the Capital Reduction and the Share Sub-division is beneficial to and in the interests of the Company and the Shareholders as a whole.

### **Application for the listing of the New Shares**

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

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.



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## LETTER FROM THE BOARD

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### **Exchange of share certificates for the New Shares**

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division is not ascertainable at present. Should the Capital Reduction and the Share Sub-division becoming effective, Shareholders may submit share certificates for the Consolidated Shares (in purple colour) to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the New Shares (in orange colour) at the expense of the Company within the relevant free exchange period from the Effective Date. Details of such free exchange of share certificates will be announced as soon as the Effective Date is ascertained.

The Company will publish announcement(s) to update the Shareholders when the Court hearing dates, the effective date of the Capital Reduction and the Share Sub-division, and the period when the Shareholders can submit share certificates for the Consolidated Shares to exchange for new share certificates for the New Shares is/are ascertained and/or updated.

All existing certificates of the Consolidated Shares or (as the case may be) the Existing Shares will continue to be evidence of title to such Shares but all existing certificate of Existing Shares will cease to be valid for trading and settlement purpose.

### **ADJUSTMENTS TO OUTSTANDING SHARE OPTIONS**

According to the rules of the Share Option Scheme, if there is any alteration in the capital structure of the Company whether by way of, among others, consolidation, subdivision or reduction of the share capital of the Company, while any options remains exercisable, corresponding alteration shall be made to the subscription price of the options. The aforementioned alteration is conditional on the confirmation in writing by the auditors of the Company or the independent financial adviser appointed by the Company that the alteration is made on the basis that the proportion of the issued share capital of the Company to which a participant of the Share Option Scheme is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased.

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## LETTER FROM THE BOARD

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Upon the Share Consolidation become effective, pursuant to the terms and conditions of the Share Option Scheme, the exercise price and the number of the outstanding share options granted under the Share Option Scheme will be adjusted in the following manner:

Date of grant	Before Adjustments		After Adjustments	
	Exercise price per outstanding share option granted HK\$	Number of Existing Shares to be allotted and issued upon full exercise of the outstanding share options granted	Exercise price per outstanding share option granted HK\$	Number of Consolidated Shares to be allotted and issued upon full exercise of the outstanding share options granted
2 August 2017	0.02	981,440,000	0.4	49,072,000
21 August 2019	0.02	<u>981,400,000</u>	0.4	<u>49,070,000</u>
		<u>1,962,840,000</u>		<u>98,142,000</u>

Save as aforesaid, the Company does not have any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares, Consolidated Shares or New Shares, as at the Latest Practicable Date.

### ACTIONS TO BE TAKEN

Set out on pages 18 to 20 of this circular is a notice convening the EGM at which an ordinary resolution will be proposed to approve the proposed Share Consolidation, and a special resolution will be proposed to approve the Capital Reduction and the Share Sub-division.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. by 11:00 a. m. on 18 April 2020) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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### VOTING AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all proposed resolutions as set out in the EGM Notice will be voted by poll. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATIONS

The Board considers that the resolutions in respect of the proposed Share Consolidation, the Capital Reduction and the Share Sub-division to be proposed at the EGM are in the best interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of such resolutions at the EGM.

By Order of the Board of  
**China National Culture Group Limited**  
**Sun Wei**  
*Executive Director*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of China National Culture Group Limited (the “Company”) will be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 20 April 2020 to consider and, if thought fit, pass with or without amendments (as applicable), the following resolutions:

#### ORDINARY RESOLUTION

1. **“THAT**, subject to and conditional upon the fulfilment of all the conditions set out in the paragraph headed “Conditions of the Share Consolidation” in the circular of the Company dated 27 March 2020 (the “Circular”), a copy of which has been tabled at the EGM marked “A” and initialled by the chairman of the EGM for the purpose of identification, with effect from the second business day (as defined in the articles of association of the Company) immediately following the date on which this resolution is passed or these conditions are fulfilled (whichever is the later):
  - (a) every twenty (20) issued and unissued ordinary shares of par value HK\$0.02 each (the “Existing Shares”) in the share capital of the Company be consolidated into one (1) ordinary share of par value HK\$0.4 each (the “Consolidated Share(s)”) in the share capital of the Company; and every twenty (20) issued and unissued non-voting convertible preference shares of par value HK\$0.07 each in the share capital of the Company be consolidated into one (1) non-voting convertible consolidated preference share of par value HK\$1.40 each (the “Consolidated Preference Share(s)”) in the share capital of the Company (the “Share Consolidation”); and
  - (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Share Consolidation on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Share Consolidation.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### SPECIAL RESOLUTION

2. “**THAT**, subject to and conditional upon (i) the Share Consolidation becoming effective; (ii) approval from the Grand Court of the Cayman Islands (“Court”) of the Capital Reduction (as defined below); (iii) registration by the Registrar of Companies of Cayman Islands of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction (as defined below) and compliance with any conditions the Court may impose; and (iv) the Listing Committee of The Hong Kong Stock Exchange Limited granting approval for the listing of, and permission to deal in, the New Shares (as defined below), with effect from the date on which these conditions are fulfilled (the “Effective Date”):
- (a) the par value of each issued Consolidated Share of par value HK\$0.4 each in the share capital of the Company be reduced to HK\$0.04 each (each a “New Share”) (the “Capital Reduction”) by cancelling the paid up capital to the extent of HK\$0.36 on each of the then issued Consolidated Shares;
  - (b) the credit arising from the Capital Reduction be transferred to a distributable reserve account of the Company which may be utilized by the Directors in accordance with the memorandum and articles of association of the Company and all applicable laws, including, without limitation, eliminating or setting off any accumulated losses of the Company from time to time;
  - (c) immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value HK\$0.4 each and the authorised but unissued Consolidated Preference Shares of par value HK\$1.40 each be sub-divided into ten (10) New Shares with par value HK\$0.04 each and ten (10) non-voting convertible preference shares of par value HK\$0.14 each (each a “New Preference Share”) respectively (the “Share Sub-division”);
  - (d) each of the New Shares arising from the Capital Reduction and the Share Sub-division shall rank *pari passu* in all respects with each other and each of the New Preference Shares arising from the Share Sub-division shall rank *pari passu* in all respects with each other and each shall have rights and privileges and be subject to the restrictions as contained in the memorandum and the articles of association of the Company; and
  - (e) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Capital Reduction and the Share Sub-division, on behalf of the Company, including under seal where applicable, as they may consider necessary or expedient to give effect to, implement and complete the Capital Reduction and the Share Sub-division.”

By Order of the Board of  
**China National Culture Group Limited**  
**Sun Wei**  
*Executive Director*

Hong Kong, 27 March 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares ("Shares") of the Company, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or person authorised, and must be deposited with the Hong Kong branch share registrar and transfer office ("Registrar") of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM (i.e. by 11:00 a.m. on 18 April 2020) or any adjournment thereof.
4. For the purpose of determining members who are qualified for attending the EGM, the register of members of the Company will be closed from 15 April 2020 to 20 April 2020, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Registrar at the address stated in note 3 above not later than 4:30 p.m. on 14 April 2020 for registration.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on all proposed resolutions set out in this notice will be taken by a poll.
7. If a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted or "extreme conditions" caused by super typhoons at 9:00 a.m. on 20 April 2020, the EGM will be proposed to be adjourned to a date to be determined. The Company will make a separate announcement on this.
8. All times and dates specified herein refer to Hong Kong local times and dates.
9. As at the date of this notice, the executive Directors are Ms. Sun Wei and Ms. Man Qiaozhen, and the independent non-executive Directors are Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie.