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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)

PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation as follows:

Share Consolidation

The Board proposes that (i) every ten (10) issued and unissued Existing Shares of par value HK\$0.04 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value HK\$0.40 each in the share capital of the Company; and (ii) every ten (10) issued and unissued Preference Shares of par value HK\$0.14 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.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the necessary resolution(s) in respect of the Share Consolidation. The Circular containing, among other matters, information regarding the Share Consolidation together with a notice of the EGM will be despatched to the Shareholders on or before Friday, 25 August 2023.

As the Share Consolidation is subject to the satisfaction of conditions, they may or may not become effective. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that (i) every ten (10) issued and unissued Existing Shares of par value HK\$0.04 each in the share capital of the Company be consolidated into one (1) Consolidated Share of par value HK\$0.40 each in the share capital of the Company; and (ii) every ten (10) issued and unissued Preference Shares of par value HK\$0.14 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 date of this announcement, the authorised share capital of the Company is HK\$1,490,000,000 divided into 25,000,000,000 Existing Shares of par value HK\$0.04 each and 3,500,000,000 Preference Shares of par value HK\$0.14 each, of which 781,221,520 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 and assuming no further Existing Shares and no Preference Shares will be issued or repurchased from the date of this announcement 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\$0.40 each and 350,000,000 Consolidated Preference Shares of par value HK\$1.40 each, of which 78,122,152 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;
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, 20 September 2023, being one clear Business Day immediately after the date of the EGM.

As at the date of this announcement, none of the above conditions have been fulfilled.

Reasons for the Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, 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 further stated that (i) market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For the past six months, the share price of the Company has been trading below HK\$0.1, and the closing price of the Existing Shares on the date of this announcement was HK\$0.044. The existing board lot value has been less than HK\$2,000.

The Directors consider that the proposed Share Consolidation will increase the board lot value of the Existing Shares and would bring about a corresponding upward adjustment in the expected value per board lot. As such, it would enable the Company to comply with the trading requirements under the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company 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 believed that the adjusted share price as a result of the Share Consolidation would maintain the trading amount for each board lot at a reasonable level and will enhance the corporate image of the Company so as to make investing in the Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. The Directors also believe that the Share Consolidation will provide greater opportunity for and more flexibility in the Company’s possible equity fund raising in the future.

As at the date of this announcement, 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.

The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Board lot size

As at the date of this announcement, the Existing Shares were traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will continue to be 10,000 Consolidated Shares.

Based on the closing price of HK\$0.044 per Existing Share (equivalent to the theoretical closing price of HK\$0.44 per Consolidated Share) as quoted on the Stock Exchange as at the date of this announcement, the value of each existing board lot of the Existing Shares is HK\$440 and the estimated theoretical value of each board lot of the Consolidated Shares would be HK\$4,400 assuming that the Share Consolidation becomes effective.

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 to be in issue upon the Share Consolidation becoming effective.

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 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 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 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, 20 September 2023, being one clear Business Day immediately after the date of the EGM, Shareholders may between 9:00 a.m. and 4:00 p.m. on any Business Day during the period from Wednesday, 20 September 2023 to Monday, 30 October 2023 (both days inclusive), submit share certificates for the Existing Shares (in orange colour) to the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, 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, 26 October 2023, trading will only be in Consolidated Shares which share certificates will be issued in purple colour. Existing share certificates in orange 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 will appoint 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.

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. Further details of the odd lot arrangement will be set out in the Circular to be despatched to the Shareholders.

Assuming that there is no change in the number of issued Shares from the date of this announcement up to and including the date on which the Share Consolidation becomes effective, the share capital structure of the Company will be as follows:

| | As of the date of this announcement | Immediately upon the Share Consolidation becoming effective |
|------------------------------------|---|--|
| Par value | HK\$0.04 per Existing Share and HK\$0.14 per Preference Share | HK\$0.40 per Consolidated Share and HK\$1.40 per Consolidated Preference Share |
| Amount of authorised share capital | HK\$1,490,000,000 | HK\$1,490,000,000 |
| Number of authorised shares | 25,000,000,000 Existing Shares and 3,500,000,000 Preference Shares | 2,500,000,000 Consolidated Shares and 350,000,000 Consolidated Preference Shares |
| Number of issued shares | 781,221,520 Existing Shares | 78,122,152 Consolidated Shares |
| Amount of the issued share capital | HK\$31,248,860.80 | HK\$31,248,860.80 |

Other than the expenses to be incurred in relation to the Share Consolidation which are expected to be insignificant in the context of the net asset value of the Company, the implementation of the Share Consolidation 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 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.

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.

As at the date of this announcement, there were outstanding options granted under the Share Option Scheme to subscribe for 155,536,000 Existing Shares. The Directors will determine, according to the rules of the Share Option Scheme, the adjustments (if any) required to be made in respect of the outstanding options as a result of the Share Consolidation. As the adjustments to the outstanding options are subject to the Share Consolidation taking effect and the written confirmation by the auditors of the Company or the independent financial advisers appointed by the Company, the Company cannot determine the adjustments to be made as at the date of this announcement. The Company will make further announcements regarding the adjustments in accordance with the Listing Rules in due course.

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 or Consolidated Shares, as at the date of this announcement.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation 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 announcement refer to Hong Kong local times and dates.

Date

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|---|---|
| Despatch date of Circular with notice of the EGM | on or before Friday, 25 August 2023 |
| Latest date and time for lodging transfer documents in order to qualify for attending and voting at EGM | 4:00 p.m. on Wednesday, 13 September 2023 |
| Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive) | Thursday, 14 September 2023 to Monday, 18 September 2023 |
| Latest date and time for lodging the proxy form for the EGM. | 11:00 a.m. on Saturday, 16 September 2023 |
| Record date for EGM. | Monday, 18 September 2023 |
| Date and time of the EGM. | 11:00 a.m. on Monday, 18 September 2023 |
| Announcement of results of the EGM | Monday, 18 September 2023 |

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

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| Effective date of the Share Consolidation | Wednesday, 20 September 2023 |
| First day of free exchange of existing share certificates into new share certificates for Consolidated Shares. | Wednesday, 20 September 2023 |
| Dealings in Consolidated Shares commence | 9:00 a.m. on Wednesday, 20 September 2023 |
| 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, 20 September 2023 |
| Temporary counter for trading in Consolidated Shares in temporary board lot of 1,000 Consolidated Shares (in the form of existing share certificates) opens | 9:00 a.m. on Wednesday, 20 September 2023 |
| 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 Thursday, 5 October 2023 |
| 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 Thursday, 5 October 2023 |
| 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 Thursday, 5 October 2023 |
| Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Consolidated Shares | 4:00 p.m. on Thursday, 26 October 2023 |
| Temporary counter for trading in Consolidated Shares in temporary board lot of 1,000 Consolidated Shares (in the form of existing share certificates) closes. | 4:10 p.m. on Thursday, 26 October 2023 |

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, 26 October 2023

Last day for free exchange of existing share certificates into new share certificates for Consolidated Shares. Monday, 30 October 2023

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the necessary resolution(s) in respect of the Share Consolidation. The Circular containing, among other matters, information regarding the Share Consolidation together with a notice of the EGM will be despatched to the Shareholders on or before Friday, 25 August 2023.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Share Consolidation and no Shareholders are required to abstain from voting at the EGM.

As the Share Consolidation is subject to the satisfaction of conditions, they may or may not become effective. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

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| “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 |
| “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 |

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| “Circular” | the circular to be despatched to the Shareholders containing, among other things, details of the Share Consolidation and the notice of the EGM |
| “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 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, whether issued or unissued |
| “Consolidated Share(s)” | the ordinary share(s) of par value HK\$0.40 each in the share capital of the Company upon the Share Consolidation becoming effective, whether issued or unissued |
| “Directors” | the director(s) of the Company |
| “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 |
| “Existing Share(s)” | the ordinary share(s) of par value HK\$0.04 each in the share capital of the Company before the Share Consolidation becoming effective, whether issued or unissued |
| “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 |
| “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 |

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|-----------------------|--|
| “Preference Share(s)” | the non-voting convertible preference shares of par value HK\$0.14 each in the share capital of the Company, whether issued or unissued |
| “Registrar” | the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, the address of which is at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, 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), as the case may be, whether issued or unissued |
| “Share Consolidation” | the proposed consolidation of (i) every ten (10) issued and unissued Existing Shares of par value HK\$0.04 each in the share capital of the Company into one (1) Consolidated Share of par value HK\$0.40 each; and (ii) every ten (10) issued and unissued Preference Shares of par value HK\$0.14 each in the share capital of the Company into one (1) Consolidated Preference Share of par value HK\$1.40 each |
| “Share Option Scheme” | the share option scheme of the Company adopted on 29 August 2014 |
| “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. |

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

Hong Kong, 27 July 2023

As at the date of this announcement, the Board comprises Ms. Sun Wei and Ms. Man Qiaozhen as Executive Directors; and Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie as Independent Non-Executive Directors.