



# National Arts

## National Arts Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
(Stock Code : 8228)



# First Quarterly Report 2012

## Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Exchange”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*This report, for which the directors of National Arts Holdings Limited (the “Company”) collectively and individually accept full responsibility, include particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## FINANCIAL RESULTS

The board of directors (the “Board”) of National Arts Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2012, together with the comparative figures for the corresponding period in 2011 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended	
		2012	2011
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Revenue/Turnover</b>	2	<b>1,686</b>	2,471
Other operating income	3	<b>29,804</b>	13
Cost of film production		–	(1,746)
Staff costs		<b>(8,177)</b>	(1,191)
Depreciation of property, plant and equipment		<b>(526)</b>	(430)
Amortisation of land lease prepayments		<b>(574)</b>	(733)
Other operating expenses		<b>(3,095)</b>	(2,796)
Finance costs	4	<b>(3,174)</b>	(751)
Change in fair value of financial assets at fair value through profit or loss		<b>1,882</b>	(149)
Gain on disposal of a subsidiary		–	3,557
<b>Profit/(Loss) before income tax</b>		<b>17,826</b>	(1,755)
Income tax expense	5	–	–
<b>Profit/(Loss) for the period</b>		<b>17,826</b>	(1,755)
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign operations		<b>646</b>	–
<b>Other comprehensive income for the period</b>		<b>646</b>	–
<b>Total comprehensive income for the period</b>		<b>18,472</b>	(1,755)

		<b>Three months ended</b>	
		<b>31 March</b>	
		2012	2011
Notes		HK\$'000	HK\$'000
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(Loss) for the period attributable to:</b>			
	Owners of the Company	6,642	(1,188)
	Non-controlling interests	11,184	(567)
		<b>17,826</b>	<b>(1,755)</b>
<b>Total comprehensive income</b>			
<b>for the period attributable to:</b>			
	Owners of the Company	6,971	(1,188)
	Non-controlling interests	11,501	(567)
		<b>18,472</b>	<b>(1,755)</b>
<b>Basic earnings/(loss) per share for profit/</b>			
<b>(loss) attributable to the owners of</b>			
<b>the Company during the period</b>			
6		HK0.83 cents	(HK0.32 cents)
<b>Diluted earnings/(loss) per share for profit/</b>			
<b>(loss) attributable to the owners of</b>			
<b>the Company during the period</b>			
6		HK0.75 cents	N/A

Notes:

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The Company was incorporated in the Cayman Islands on 16 November 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 14 October 2010, the Company deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 14 October 2010. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal place of business in Hong Kong is Unit B, 2/F, Jone Mui Industrial Building, 169 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company's shares are listed on the GEM of the Stock Exchange.

The unaudited financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange.

The unaudited consolidated results for the three months ended 31 March 2012 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted for the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2011.





## 2. TURNOVER

The Company is principally engaged in investment holding. The principal activities of the Group include film production and distribution, the provision of management services to artistes, and operations of film studio, theme park and hotels.

Turnover is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably on the following bases:

- (a) Income derived from the production and distribution of films, when the production is completed and the film is released, the film has been distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts.
- (b) Income derived from the licensing of the distribution and broadcasting rights over films, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers.
- (c) Artiste management fee income and revenue from rendering of services are recognised when the agreed services are rendered.
- (d) Construction management fee income is recognised when the construction is completed.
- (e) Interest income is recognised on a time-proportion basis using the effective interest method.
- (f) Dividend income from investments is recognised when the right to receive payment is established.
- (g) Entrance fee income is recognised when the tickets are accepted and surrendered by the customer.

### 3. OTHER OPERATING INCOME

Other operating income for the period under review posted to approximately HK\$29,804,000 which mainly includes construction management fee income amounting to approximately HK\$26,908,000 arisen from the provision for management services of construction of Wong Tai Sin Temple in Xiqiao Mountain and gain on disposal of property located in Hong Kong amounting to approximately HK\$2,892,000.

### 4. FINANCE COST

During the period under review, finance cost was amounting to approximately HK\$3,174,000, which increased 323% as compared with 2011. The increase of finance cost is mainly due to the interest expense from the issuance of convertible bonds as the consideration for the acquisition of 51% equity interests in each of Head Return Limited and Expand Pacific Limited in year 2011.

### 5. TAXATION

Hong Kong Profits Tax has not been provided for the three months ended 31 March 2012 (2011: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods.

PRC foreign enterprise income tax has not been provided as the PRC subsidiary incurred a loss for taxation purposes for the three months ended 31 March 2012 (2011: Nil).

At the reporting date, the Company did not have any significant unrecognised deferred tax liabilities (2011: Nil).



**6. EARNINGS/(LOSS) PER SHARE**

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(Loss) for the period attributable to the owners of the Company for the purpose of basic and diluted earnings/(loss) per share computation	<b>6,642</b>	(1,188)

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2012</b>	<b>2011</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>801,254</b>	566,839
Effect of dilutive potential ordinary shares:		
Share options	<b>32,477</b>	N/A
Warrants	<b>56,131</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share computation	<b>889,862</b>	N/A

The calculation of basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of HK\$6,642,000 (2011: loss of HK\$1,188,000) and the weighted average of approximately 801,254,000 (2011: approximately 566,839,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31 March 2012 is based on the profit attributable to the owners of the Company of HK\$6,642,000 and the weighted average of approximately 889,862,000 ordinary shares outstanding during the period. Diluted loss per share for the three months ended 31 March 2011 was not presented because the impact of the exercise of the share options and warrants are anti-dilutive.



## 7. DIVIDEND

The Board does not resolve the payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

## 8. UNAUDITED STATEMENT OF MOVEMENT TO AND FROM RESERVE

	Share Capital HK\$'000	Share Premium HK\$'000	Special Reserve HK\$'000	Translation Reserve HK\$'000	Share Option Reserve HK\$'000	Contributed Surplus HK\$'000	Convertible Notes Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000	Minority Interests HK\$'000	Total Equity HK\$'000
As at 1 January 2011	6,658	122,282	1,000	308	9,455	78,791	-	-	218,494	-	218,494
New shares issued under share placements	1,350	4,341	-	-	-	-	-	-	5,691	-	5,691
Acquisition of shares held by minority shareholders	-	-	-	-	-	-	-	-	-	168,790	168,790
Recognition of equity component of convertible notes	-	-	-	-	-	-	62,754	-	62,754	-	62,754
Currency translation differences	-	-	-	81	-	-	-	-	81	-	81
Loss for the period	-	-	-	-	-	-	-	(1,168)	(1,168)	-	(1,168)
Transfer of lapsed options to accumulated losses	-	-	-	-	(981)	-	-	981	-	-	-
As at 31 March 2011	8,008	126,623	1,000	389	8,474	78,791	62,754	(207)	285,832	168,790	454,622
As at 1 January 2012	8,012	126,941	1,000	998	21,002	78,791	62,754	(10,142)	289,356	210,705	500,061
Employee share-based compensation	-	-	-	-	5,268	-	-	-	5,268	-	5,268
Profit for the period	-	-	-	-	-	-	-	6,642	6,642	11,184	17,826
Currency translation differences	-	-	-	329	-	-	-	-	329	317	646
As at 31 March 2012	8,012	126,941	1,000	1,327	26,270	78,791	62,754	(3,500)	301,595	222,206	523,801



## FINANCIAL REVIEW

During the period under review, the Group reported a turnover of approximately HK\$1.7 million, a decrease of 32% as compared to the turnover in previous period. The turnover was mainly attributable to the film and artiste management business, while part of the revenue was generated from the new business of film studio in the PRC.

Other operating income for the period under review increased approximately HK\$29.8 million due to construction management fee income receivable upon completion of construction of Wong Tai Sin Temple and gain on disposal of a property located in Hong Kong.

Staff costs for the period under review increased to approximately HK\$8.2 million from approximately HK\$1.2 million in previous period. An increase of approximately HK\$7 million in staff cost was mainly due to the share options granted to directors and employees and increase of number of staff during the period under review.

Finance costs for the period under review increased approximately HK\$2.4 million mainly due to the interest on convertible bonds, which were issued as part of the consideration for the acquisition of 51% in each of Head Return Limited and Expand Pacific Limited during year 2011.

For the three months ended 31 March 2012, the Group recorded a net profit HK\$17.8 million as compared to net loss of the comparable period of approximately HK\$1.6 million.

## HUMAN RESOURCES & REMUNERATION POLICY

The directors of the board (the “Directors”) believe that the quality of its employees is the most important factor in sustaining the Group’s growth and improving its profitability. The Group’s remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme and share options.

The Group has not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor has it experienced any difficulties in the recruitment and retirement of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group focused on the film and entertainment businesses in view of strong growth of China market and support from government policies on cultural development.

### Xiqiao Mountain Dream Park Project

Under the support of the central government, the domestic film industry is developing rapidly, thereby stimulating a substantial growth in the demand for shooting venues. Upon the acquisition of Head Return Limited and Expand Pacific Limited, the Group is actively devoting resources on the development of the “Xiqiao Mountain Dream Park” Project in Foshan City, Guangdong Province. By making reference to the U.S. Universal Studios, we have created a dream park which covers an area of 677,000 square metres and which is the world’s first of its kinds of park incorporating a variety of diverse projects such as tourism and studios. These projects include:

1. a film shooting base with a couple of shooting scenic spots
2. a theme park
3. a five-star hotel
4. a platinum five-star hotel
5. a multi-functional performance venue
6. Xiqiao “Wong Tai Sin Temple” and “Ti Tsang Wang Temple”

The relevant projects are all-round tourist destinations that blend entertainment, tourism, leisure, culture and religion. In view of the policies of the PRC government as well as the development of films and tourism, these projects will provide the Group with infinite business opportunities in the PRC market. The project will be completed in phases from 2011 onwards, and will be fully completed and put into commission in 2013.

### “Wong Tai Sin Temple” and “Ti Tsang Wang Temple”

The “Wong Tai Sin Temple” and “Ti Tsang Wang Temple” were opened in late 2011. Among these projects, Wong Tai Sin saint statue made of 99% pure gold with a weight of 52.1 kg (being the world’s heaviest statue) attracted the most attention. Moreover, the temple is furnished with a wider diversity of travel elements that are of attractions to tourists, including the handwritten 5,000-word Daodejing (道德經) (the Taoism Scripture) with a size of 19 m x 2.7 m, hand-painted murals with a total area of 1,000 square metres, sterling silver cornucopia with a diameter of 1 metre, and a gold brick with a weight of 15 kg.

The Xiqiao Wong Tai Sin Temple upholds the superior tradition of “free-of-charge medical treatment and medicine”. After the opening of the temple, “Lucky Bag Distribution Charity Event” to send warmth to local residents. Also, two mobile medical treatment vehicles were provided to facilitate the daily delivery of free medical treatment and medicine to residents in remote mountainous areas with the lack of medical treatment facilities and medicine. The Xiqiao Wong Tai Sin Temple will set up a medical centre that offers free-of-charge medical treatment and medicine in the future, in order to spread the spirit of love.

The Xiqiao Wong Tai Sin Temple has attracted the visits of many worshipers since its opening. In particular, tourist arrivals reached a peak during the Lunar New Year, with more than 5,000 attendance per month. The temple has become one of the most famous attractions in the region. The Group and Xiqiao Town People’s Government has earlier entered into an agreement, whereby the Group is entitled to a guaranteed revenue of not less than RMB74.70 million in the next 40 years. This guarantee provides the Group with a stable source of income.



## Film Shooting Base

The Group is fully gearing towards the construction of the largest film shooting base in South China region. The entire project will be completed in phases in 2012 to 2013. The completion of the project will generate satisfactory financial contribution for the Group. The major scenic spots include Shanghai Street, Hong Kong Street and Canton Street which will be completed in the second half of 2012. Japan Street, the Water Towns in Southern Yangtze River, the Ming-Qing Dynasty Palace, the Ancient Village and the Qing-Ming Festival Riverside Scene will be completed in the first half of 2013. The film shooting base can provide diversified and practical scenes for crews in Mainland China and Hong Kong, and is expected to attract a lot of studio production companies in Mainland China and Hong Kong due to its supreme geographical location and good climate. Following the gradual opening of the studio, the Group expects that it will be able to raise the admission fees for the Xiqiao Mountain scenic spots and will thus bring greater benefits for the Group.

## Hotel Project

The five-star hotel will be completed in the fourth quarter of 2012 and will provide 350 rooms for travelers. The design of the hotel will be based on a gorgeous style that incorporates the Greek colour elements, in order to create a European-style resort for travelers. In addition, the Group will also construct a platinum five-star hotel in Xiqiao Mountain. The hotel is expected to be completed and put into operation in 2013.

At the same time, with the expected completion of the theme park and performance venue relating to the “Xiqiao Mountain Dream Park” Project in stages in 2012 to 2013, financial contribution can be generated for the Group in the next financial year.





## Film Production

The PRC film industry grows swiftly in recent years. The box office in China reached RMB10 billion last year, revealing huge potential. The Group is full of confidence in film production. During the period under review, we produced “The Woman Knight of Mirror Lake – Qiu Jin”(《競雄女俠—秋瑾》) which was promoted to the Greater China market, The positive messages of the film such as the struggle for freedom and the protest against the feudal system received extensive appreciation and recognition from the industry. The Group plans to produce “Ip Man – The Final Chapter”(《葉問—終極—戰》) in 2012. The script and casting of the film has been ascertained. We are currently in the course of preparation for shooting, which is going to be conducted in the studio on the spot in August this year. “Ip Man – The Final Chapter”(《葉問—終極—戰》) is anticipated to set off a craze for Wing Chun (Chinese martial art) once again and strengthen the Group’s visibility, while attracting more visits to the studio from visitors and bringing more flows of visitors to the studio.

## Artiste Management

In addition to the films produced by the Group, the Group’s rising artists Mr. To Yu Hang, Dennis (杜宇航先生) and Miss Chan Ka Woon, Rose (陳嘉桓小姐) will take part and perform in different movies and TV shows and will also serve as spokespersons and participate in advertising photography in the future. This will contribute positive impact on the Group’s visibility. In view of the ongoing consultations of a huge amount of jobs, the Group expects that artiste management will bring bigger contribution for the Company’s financial position and will foster further expansion of this business segment. Furthermore, the Group will also seek other opportunities related to the artiste management industry.

## SHARE OPTION SCHEMES

Pursuant to a written resolution of the sole shareholder of the Company dated 22 July 2002, the Company conditionally adopted and approved the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, the principal terms of which are set out in the sections headed “Pre-IPO Share Option Scheme” and “Post-IPO Share Option Scheme” in Appendix IV to the prospectus of the Company dated 9 October 2002 (the “Prospectus”).

Pursuant to a resolution passed by the extraordinary general meeting of the Company dated 29 September 2010, a new share option scheme (the “New Share Option Scheme”) was adopted and the existing Post-IPO Share Option Scheme was terminated. The principal terms of New Share Option Scheme are set out in the circular of the Company dated 6 September 2010.

### Pre-IPO Share Option Scheme

As at 31 March 2012, the share options to subscribe for an aggregate of 196,507 shares of the Company granted pursuant to the Pre-IPO Share Option Scheme were outstanding. A portion of each grantee’s right to exercise the options that has been conditionally granted under the Pre-IPO Share Option Scheme shall be deemed to have vested on 17 June 2002 (such portion is fixed on the basis of the grantee’s employment period and/or contribution to the Group and is set in the table below) and the rest of the right shall continue to vest over a period of not more than 4 years from 17 June 2002 (the “Listing Date”) on a monthly basis each time from 1/48th of the total number of shares comprised in the options and, subject to that no options granted under the Pre-IPO Share Option Scheme can be exercised before the expiration of 1 year from the Listing Date, any vested right shall remain exercisable for 10 years from the date of acceptance of the relevant options. No further options will be offered or granted under the Pre-IPO Share Option Scheme as the right to do so ends on 9 October 2002, being the date of publication of the Prospectus.

The details of the Pre-IPO Share Option Scheme as at 31 March 2012 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Number of share options			Outstanding as at 31 March 2012
		As at 1 January 2012	Exercised during the period	Lapsed during the period	
Advisors and consultants	3.06	196,507	–	–	196,507

## Post-IPO Share Option Scheme

As at 31 March 2012, the share options to subscribe for an aggregate of 77,650,000 shares of the Company granted pursuant to the Post-IPO Share Option Scheme were outstanding. The details of the Post-IPO Share Option Scheme as at 31 March 2012 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 31 March 2012
			As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	0.61	13 May 2010	2,100,000	-	-	-	2,100,000
Directors	0.564	20 May 2010	550,000	-	-	-	550,000
Directors	0.48	29 September 2010	75,400,000	-	-	-	75,250,000
Total			77,650,000	-	-	-	77,650,000

## New Share Option Scheme

As at 31 March 2012, the share options to subscribe for an aggregate of 64,350,000 shares of the Company granted pursuant to the New Share Option Scheme were outstanding. The details of the New Share Option Scheme as at 31 March 2012 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 31 March 2012
			As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	1.28	28 March 2011	51,200,000	-	-	-	51,200,000
Directors	1.28	28 March 2011	9,000,000	-	-	-	9,000,000
Employees	1.28	28 March 2011	300,000	-	-	150,000	150,000
Directors	0.90	30 March 2012	-	4,000,000	-	-	4,000,000
Total			60,500,000	4,000,000	-	150,000	64,350,000

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### 1. Long Positions in the shares of the Company

Name of Directors	Capacity/ Nature of interest	Number of shares	Interest in controlled corporation	Total	Approximate percentage of the issued share capital of the Company
(a) The Company (Ordinary shares of HK\$0.01 each)					
Mr. Sin Kwok Lam (Note 1)	Beneficial owner	190,083,000	-	190,083,000	23.72%
	Interest of spouse	6,672,000	-	6,672,000	0.83%
Miss Law Po Yee (Note 1)	Beneficial owner	6,672,000	-	6,672,000	0.83%
	Interest of spouse	190,083,000	-	190,083,000	23.72%
(b) Head Return Limited (Ordinary shares of HK\$1.00 each)					
Mr. Sin Kwok Lam	Beneficial owner	49	-	49	49%
Miss Law Po Yee (Note 2)	Interest of spouse	49	-	49	49%
(c) Expand Pacific Limited (Ordinary shares of HK\$1.00 each)					
Mr. Sin Kwok Lam	Beneficial owner	49	-	49	49%
Miss Law Po Yee (Note 2)	Interest of spouse	49	-	49	49%

Note 1: Mr. Sin and Miss Law beneficially owned 196,755,000 Shares, representing approximately 24.55% of the issued share capital of the Company. By virtue of SFO, Miss Law, the spouse of Mr. Sin, was deemed to be interested in all the Shares in which Mr. Sin was interested.

Note 2: Miss Law is the spouse of Mr. Sin and is deemed to be interested in the Shares in which Mr. Sin is deemed or taken to be interested for the purpose of the SFO.

## 2. Rights to acquire shares in the Company

### i. Post-IPO Share Option Scheme

Details of grantees	Date of grant	Exercise Price per share (HK\$)	Exercisable period	Number of share options				Outstanding as at 31 March 2012
				As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin Kwok Lam (Director)	29 September 2010	0.48	29 September 2010 to 2 September 2020	48,000,000	-	-	-	48,000,000
Miss Law Po Yee (Director)	29 September 2010	0.48	29 September 2010 to 2 September 2020	24,000,000	-	-	-	24,000,000
Mr. Lam Kwok Hing Wilfred (Director)	29 September 2010	0.48	29 September 2010 to 2 September 2020	3,250,000	-	-	-	3,250,000
	13 May 2010	0.61	13 May 2010 to 12 May 2020	1,500,000	-	-	-	1,500,000
Mr. Chow Kai Weng (Director)	29 September 2010	0.48	29 September 2010 to 2 September 2020	150,000	-	-	-	150,000
Mr. Li Sin Hung Maxim (Director)	20 May 2010	0.564	20 May 2010 to 19 May 2020	150,000	-	-	-	150,000
Mr. Chui Chi Yun, Robert (Director)	13 May 2010	0.61	13 May 2010 to 12 May 2020	200,000	-	-	-	200,000
Mr. Chan Tin Lup, Trevor (Director)	20 May 2010	0.564	20 May 2010 to 19 May 2020	200,000	-	-	-	200,000
Dr. Wong Lung Tak, Patrick (Director)	20 May 2010	0.564	20 May 2010 to 19 May 2020	200,000	-	-	-	200,000



## ii. New Share Option Scheme

Details of grantees	Date of grant	Exercise Price per share (HK\$)	Exercisable period	Number of share options				Outstanding as at 31 March 2012
				As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin Kwok Lam (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	20,000,000	-	-	-	20,000,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	800,000	-	-	800,000
Miss Law Po Yee (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	20,000,000	-	-	-	20,000,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	800,000	-	-	800,000
Mr. Lam Kwok Hing Wilfred (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	11,200,000	-	-	-	11,200,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	400,000	-	-	400,000
Mr. Chow Kai Weng (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	350,000	-	-	-	350,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	400,000	-	-	400,000
Miss Sin Ho Yee (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	8,000,000	-	-	-	8,000,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	300,000	-	-	300,000
Mr. Li Sin Hung Maxim (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	50,000	-	-	-	50,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	100,000	-	-	100,000
Mr. Chui Chi Yun, Robert (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	400,000	-	-	400,000
Dr. Wong Lung Tak, Patrick (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	400,000	-	-	400,000
Mr. Chan Tin Lup, Trevor (Director)	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	30 March 2012	0.90	30 March 2012 to 29 March 2017	-	400,000	-	-	400,000
Employees	28 March 2011	1.28	28 March 2012 to 27 March 2021	300,000	-	-	150,000	150,000

### 3. Long positions in the underlying shares of the convertible bonds of the Company

Name of Directors	Capacity/ Nature of interest	Description of equity derivatives	Total	Approximate percentage of the issued share capital
Mr. Sin Kwok Lam	Beneficial owner	Convertible Bonds (Note)	110,454,545	13.79%
Miss Law Po Yee	Interest of spouse	Convertible Bonds (Note)	110,454,545	13.79%

Note: The Convertible Bonds with an outstanding principal amount of HK\$121.5 million as at 31 December 2011, were issued by the Company to Mr. Sin on 1 March 2011 following the completion of the agreement entered between the Company and Mr. Sin, in connection with the acquisition of 51 shares, representing 51% of all the issued shares in the capital, of each of HRL and EPL. The Convertible Bonds bears 1% interest per annum; the principal amount of HK\$121.5 million was separated into: (i) CB1 – HK\$71.5 million has a maturity date of 28 February 2014, and (ii) CB2 – HK\$50.0 million has a maturity date of 28 February 2017; and are convertible into shares of the Company at the initial conversion price of HK\$1.1 per share (subject to adjustment according to the terms of the convertible bonds). Miss Law is the spouse of Mr. Sin and is deemed to be interested in such underlying shares of the Company under the SFO.

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 31 March 2012, any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Other than as disclosed above, at no time during the period was the Company, its subsidiaries or holding company a party to any arrangement to enable the Directors, their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2012, the persons or corporations, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO or had otherwise been notified to the Company were as follows:

### 1. Long Positions in the shares of the Company

<u>Name of shareholders</u>	<u>Capacity</u>	<u>No. of shares held</u>	<u>Approximate percentage of the issued share capital of the Company</u>
Tse Young Lai	Beneficial owner	154,965,333	19.34%

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the three months ended 31 March 2012.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures with an aim to maximizing the shareholders' interests as well as to enhancing the stakeholders' transparency and accountability. In this respect, the Company has complied with all of the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 15 of the GEM Listing Rules during the three months ended 31 March 2012.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2011 annual report of the Company.

## COMPETING INTERESTS

None of the Directors or management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest, whether directly or indirectly, in a business which competes or may compete with the business of the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") in 2002 with written terms of reference, which deal clearly with its authorities and duties. The primary duties of the Audit Committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and discuss with the management over issues relating to auditing, internal control and financial reporting. The Audit Committee now comprises three independent non-executive Directors, namely Mr. Chui Chi Yun, Robert (Chairman), Mr. Chan Tin Lup, Trevor and Dr. Wong Luk Tak, Patrick.

The Group's unaudited results for the three months ended 31 March 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board

**National Arts Holdings Limited**

**Law Po Yee**

*Vice Chairperson, Executive Director  
and Chief Executive Officer*

Hong Kong, 9 May 2012

As at the date of this report, the Directors are as follow:

*Chairman and Non-executive Director:*

Mr. Sin Kwok Lam

*Vice Chairperson, Executive Director and Chief Executive Officer:*

Miss Law Po Yee

*Vice Chairman and Non-executive Director:*

Mr. Lam Kwok Hing Wilfred

*Executive Directors:*

Mr. Chow Kai Weng

Miss Sin Ho Yee

*Non-executive Director:*

Mr. Li Sin Hung Maxim

*Independent Non-executive Directors:*

Mr. Chan Tin Lup, Trevor

Mr. Chui Chi Yun, Robert

Dr. Wong Lung Tak, Patrick

