

2014

The Third Quarterly Report



National Arts Entertainment and Culture Group Limited

國藝娛樂文化集團有限公司

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

Stock code : 8228

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 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors of National Arts Entertainment and Culture Group Limited (formerly known as “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 GEM of the Exchange 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 or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

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The board of directors (the “Board”) of National Arts Entertainment and Culture Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2014, together with the comparative figures for the corresponding period in 2013 as follows:

Unaudited Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue/Turnover	2	3,570	14,517	7,413	17,510
Other operating income	3	6,723	2,213	6,890	6,866
Cost of film production		(84)	(10,533)	(751)	(10,643)
Staff costs		(8,648)	(3,337)	(18,804)	(9,834)
Depreciation of property, plant and equipment		(657)	(536)	(1,826)	(1,409)
Amortisation of land lease prepayments		(562)	(562)	(1,684)	(1,684)
Other operating expenses		(10,171)	(560)	(26,847)	(9,133)
Finance costs	4	(16,403)	2,826	(52,155)	(1,454)
(Loss)/profit before taxation		(26,232)	4,028	(87,764)	(9,781)
Income tax expense	5	-	(163)	-	(483)
(Loss)/profit for the period		(26,232)	3,865	(87,764)	(10,264)
Other comprehensive income					
Exchange differences on translation of financial statements of foreign operations		5,495	5,539	(4,313)	5,912
Other comprehensive income for the period		5,495	5,539	(4,313)	5,912
Total comprehensive income for the period		(20,737)	9,404	(92,077)	(4,352)
(Loss)/profit for the period attributable to:					
Owners of the Company		(26,232)	4,694	(87,764)	(3,443)
Non-controlling interests		-	(829)	-	(6,821)
		(26,232)	3,865	(87,764)	(10,264)
Total comprehensive income for the period attributable to:					
Owners of the Company		(20,737)	7,523	(92,077)	(427)
Non-controlling interests		-	1,881	-	(3,925)
		(20,737)	9,404	(92,077)	(4,352)
Basic loss per share attributable to owners of the company during the period	6	HK(7.49) cents	(Restated) HK(0.94) cents	HK(8.98) cents	(Restated) HK(0.76) cents
Diluted loss per share attributable to owners of the Company during the period	6	HK(7.49) cents	(Restated) HK(0.94) cents	HK(8.98) cents	(Restated) HK(0.76) cents

NOTES ON THE UNAUDITED THIRD QUARTERLY REPORT

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 Mult Industrial Building, 169 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

The unaudited financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards which collectively includes all applicable individual Hong Kong Financial Reporting Standard, Hong Kong Accounting Standard and Interpretation issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules").

The unaudited consolidated results for the nine months ended 30 September 2014 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 2013.

The unaudited financial statements are presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to nearest thousand ("HK\$'000") unless otherwise stated.

2. REVENUE/TURNOVER AND OTHER OPERATING INCOME

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 and hotels.

Revenue/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:

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 receipts.

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.

Management fee income and revenue from rendering of services are recognised when the agreed services are rendered.

Entrance fee income is recognised when the tickets are accepted and surrendered by the customer.

2. REVENUE/TURNOVER AND OTHER OPERATING INCOME *(Continued)*

Sale of goods is recognised when the significant risk and rewards of ownership of the goods have been transferred to the buyers.

Rental income under operating leases is recognised over the lease term. Contingent rentals are recognised on the accounting period when they are incurred.

Interest income is recognised on time-proportion basis using effective interest method.

Dividend income from investments is recognised when the right to receive payment is established.

3. OTHER OPERATING INCOME

During the period under review, the other operating income was amounting to approximately HK\$6,890,000, which included the early redemption of convertible bond by setting off interest payable.

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance lease charges	736	516	1,701	1,454
Interests on bonds	3,009	2,924	8,664	4,819
Interests on convertible bonds	11,224	3,410	43,320	4,132
Interest on borrowings wholly repayable within five years	8,427	853	14,845	2,814
	23,396	7,703	68,530	13,219
Less: Amount capitalised on construction in progress	(6,993)	(10,529)	(16,375)	(11,765)
	16,403	(2,826)	52,155	1,454

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the nine months ended 30 September 2014 (2013: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods.

The PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred losses for taxation purposes for both periods.

6. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss attributable to the owners of the Company of HK\$87,764,000 (2013: HK\$3,443,000) and the weighted average number of ordinary shares in issue during nine months period which calculated as follows:

	Nine months ended 30 September	
	2014 '000	2013 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	977,510	452,779
Effect of dilutive potential ordinary shares:		
Share options	-	-
Warrants	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	977,510	452,779

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK\$87,764,000 (2013: HK\$3,443,000) and the weighted average of approximately 977,510,000 (2013: approximately 452,779,000 as restated to reflect the rights issue of the Company in August 2014) ordinary shares in issue during the period.

Diluted loss per share for the loss attributable to the owners of the Company for the period ended 30 September 2014 was the same as basic loss per share as the impact of the exercise of the share options, warrants and convertible bonds is anti-dilutive. The calculation of diluted loss per share for the nine months ended 30 September 2013 is based on the loss attributable to the owners of the Company of HK\$3,443,000 and the weighted average of approximately 452,779,000 (as restated to reflect the rights issue of the Company in August 2014) ordinary shares outstanding during the period.

7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 30 September 2014 (2013: Nil).

8. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to the owners of the Company

	Share capital	Share premium	Special reserve	Capital reserve	Contributed surplus	Properties valuation reserve	Translation reserve	Share option reserve	Convertible bond equity reserve	Warrant reserves	(Accumulated	Retained earnings	Total	Non-controlling interests	Total equity
											losses)/				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 (audited)	40,562	412,074	1,000	-	78,791	-	1,777	26,229	-	-	11,061	571,494	222,321	793,815	
Issue of convertible bonds	-	-	-	-	-	-	-	-	7,492	-	-	7,492	-	7,492	
Issue of bonds	-	-	-	-	-	-	-	-	-	6,412	-	6,412	-	6,412	
Capital contribution from a shareholder	-	-	-	84,424	-	-	-	-	-	-	-	84,424	-	84,424	
Transactions with owners	-	-	-	84,424	-	-	-	-	7,492	6,412	-	98,328	-	98,328	
Loss for the period	-	-	-	-	-	-	-	-	-	-	(3,443)	(3,443)	(6,821)	(10,264)	
Other comprehensive income															
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	3,016	-	-	-	-	3,016	2,896	5,912	
Total comprehensive income for the period	-	-	-	-	-	-	3,016	-	-	-	(3,443)	(427)	(3,925)	(4,352)	
At 30 September 2013 (unaudited)	40,562	412,074	1,000	84,424	78,791	-	4,793	26,229	7,492	6,412	7,618	669,395	218,396	887,791	
As at 1 January 2014 (audited)	41,262	419,132	1,000	-	78,791	254,556	8,219	26,229	114,466	6,399	(240,636)	709,418	-	709,418	
Issue of rights issue	247,576	200,880	-	-	-	-	-	-	-	-	-	448,456	-	448,456	
Redemption of convertible bonds	-	-	-	-	-	-	-	-	(63,194)	-	-	(63,194)	-	(63,194)	
Transactions with owners	247,576	200,880	-	-	-	-	-	-	(63,194)	-	-	385,262	-	385,262	
Loss for the period	-	-	-	-	-	-	-	-	-	-	(87,764)	(87,764)	-	(87,764)	
Currency translation differences	-	-	-	-	-	-	(4,313)	-	-	-	-	(4,313)	-	(4,313)	
Total comprehensive income	-	-	-	-	-	-	(4,313)	-	-	-	(87,764)	(92,077)	-	(92,077)	
As at 30 September 2014 (unaudited)	288,838	620,012	1,000	-	78,791	254,556	3,906	26,229	51,272	6,399	(328,400)	1,002,603	-	1,002,603	

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

National Arts Resort Hotel

National Arts Hotel reported a significant increase of revenue as the hotel started to operate from August 2014. Last year the hotel was under renovation and was not ready for customers. For Q3 2014, our hotel generated approximately HK\$2.3 million of revenue. The splendid in-room facilities will bring along a memorable experience to our guests.

Xiqiao National Arts Film Shooting Studio

Management expected the Film Shooting Studio will hold its soft opening at the end of December 2014. The film shooting area consists of exquisite scenic professional and creative experiential projects. Additional fun fantasy shows were periodically arranged for the tourists. According to the statistics published by State Administration of Press, Publication, Radio, Film and Television, the box office receipts in Mainland China in 2013 reached RMB217.69 million, representing an increase of 27.51% from the previous year, indicating that the PRC film industry remained at a stage of rapid growth in 2013. As for tourism, according to a statistics published by Tourism Administration of Guangdong Province, the total tourism revenue in Guangdong province was RMB8,305 million in 2013, which was the highest across the PRC and representing an increase of 12.4% from the previous year. Upon Completion, it is expected that the film production capacity and the diversity of businesses in Xiqiao region will be enhanced into a new dimension of which the Company considers that such enhancement would be beneficial to the shareholders as a whole.

FINANCIAL REVIEW

Results

For the nine months ended 30 September 2014, the Group reported turnover of approximately HK\$7.4 million which was approximately HK\$10.1 million lower than a year ago. The decrease was mainly due to reduction in film production income of approximately HK\$12.7 million which was partly compensated by the revenue from the National Arts Hotel of approximately HK\$2.3 million. The hotel started to generate revenue from August 2014 onwards. The Group has made great efforts to improve the revenue by providing excellent services to our customers.

Due to the commencement of hotel operation and increase in staff to prepare for its soft opening around end of 2014, the staff Costs increased by approximately HK\$9.0 million and the other operating expenses increased by approximately HK\$17.7 million.

The finance costs increased by approximately HK\$50.7 million compared to last year which was mainly due to the increase in interests in convertible bond and interests in external borrowing interests. The Q3 2014 finance costs was reduced to approximately HK\$16.4 million resulting from the redemption of convertible bonds.

ADDITIONAL INFORMATION

Share Consolidation

The Company implemented a share consolidation on the basis that every ten issued existing shares with a par value of HK\$0.01 each will be consolidated into one consolidated share with a par value of HK\$0.1 each.

Right Issue

On 4th July 2014, the Group announced that it proposed to issue a total of 2,475,762,414 shares by way of rights issue at a subscription price of HK\$0.188 per rights share on the basis of six rights shares for every existing share held. The right issue was completed on 5 August 2014, and an amount of approximately HK\$465 million was raised.

Repayment of Convertible Notes

On August 2014, the Board has applied the net proceeds from holder for the settlement of the outstanding convertible notes together with accrued interests of approximately HK\$235.4 million.

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 Post-IPO Share Option Scheme. The principal terms of which are set out in Appendix IV to the prospectus of the Company dated 9 October 2002.

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 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.

Post-IPO Share Option Scheme

As at 30 September 2014, the share options to subscribe for an aggregate of 12,885,263 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 30 September 2014 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 30 September 2014
			As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	3.66	13 May 2010	282,990	-	-	-	282,990
Directors	3.38	20 May 2010	91,905	-	-	-	91,905
Directors	2.89	29 September 2010	12,510,368	-	-	-	12,510,368
Total			12,885,263	-	-	-	12,885,263

New Share Option Scheme

As at 30 September 2014, the share options to subscribe for an aggregate of 10,787,062 shares of the Company granted pursuant to the New Share Option Scheme were outstanding. The details of the New Share Option Scheme as at 30 September 2014 are set out as follows: Number of share options

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 30 September 2014
			As at 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	7.62	28 March 2011	10,114,810	-	-	-	10,114,810
Directors	5.59	31 March 2012	672,252	-	-	-	672,252
Total			10,787,062	-	-	-	10,787,062

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

As at 30 September 2014, 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 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 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\$0.1 each)					
Mr. Sin Kwok Lam (Note 1)	Beneficial owner	683,473,000	-	683,473,000	23.66%
	Interest of spouse	23,352,000	-	23,352,000	0.81%
Miss Law Po Yee ("Miss Law") (Note 1)	Beneficial owner	23,352,000	-	23,352,000	0.81%
	Interest of spouse	683,473,000	-	683,473,000	23.66%

Note 1: Mr. Sin and Miss Law beneficially owned 706,825,000 shares, representing approximately 23.66% 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 30 September 2013
				As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin (Director)	29 September 2010	2.89	29 September 2010 to 2 September 2020	7,964,160	-	-	-	7,964,160
Miss Law (Director)	29 September 2010	2.89	29 September 2010 to 2 September 2020	3,982,080	-	-	-	3,982,080
Mr. Lam Kwok Hing Wilfred (Director)	13 May 2010	3.66	13 May 2010 to 12 May 2020	249,698	-	-	-	249,698
	29 September 2010	2.89	29 September 2010 to 2 September 2020	539,240	-	-	-	539,240
Mr. Chow Kai Weng (Director)	29 September 2010	2.89	29 September 2010 to 2 September 2020	24,888	-	-	-	24,888
Mr. Li Sin Hung Maxim (Director)	20 May 2010	3.38	20 May 2010 to 19 May 2020	25,065	-	-	-	25,065
Mr. Chui Chi Yun, Robert (Director)	13 May 2010	3.66	13 May 2010 to 12 May 2020	33,292	-	-	-	33,292
Mr. Chan Tin Lup, Trevor (Director)	20 May 2010	3.38	20 May 2010 to 19 May 2020	33,420	-	-	-	33,420
Prof. Wong Lung Tak, Patrick (Director)	20 May 2010	3.38	20 May 2010 to 19 May 2020	33,420	-	-	-	33,420

Notes

- Pursuant to the announcement regarding to the result of the Rights Issue dated 4th August 2014 the exercise price of the share options and the number of outstanding share options as at the completion of Rights Issue were required to be adjusted as a result of the Rights Issue.
- Mr. Lam Kwok Hing Wilfred resigned as independent non-executed Director with effect from 11 July 2014.

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 30 September 2013
				As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Siu Kwok Lam (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	3,360,403	-	-	-	3,360,403
	31 March 2012	5.59	31 March 2012 to 30 March 2017	134,450	-	-	-	134,450
Miss Law Po Yee (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	3,360,403	-	-	-	3,360,403
	31 March 2012	5.59	31 March 2012 to 30 March 2017	134,450	-	-	-	134,450
Mr. Lam Kwok Hing Wilfred (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	1,881,825	-	-	-	1,881,825
	31 March 2012	5.59	31 March 2012 to 30 March 2017	67,225	-	-	-	67,225
Mr. Chow Kai Weng (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	58,807	-	-	-	58,807
	31 March 2012	5.59	31 March 2012 to 30 March 2017	67,225	-	-	-	67,225
Miss Sin Ho Yee (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	1,344,161	-	-	-	1,344,161
	31 March 2012	5.59	31 March 2012 to 30 March 2017	50,419	-	-	-	50,419
Mr. Li Sin Hung Maxim (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	8,401	-	-	-	8,401
	31 March 2012	5.59	31 March 2012 to 30 March 2017	16,806	-	-	-	16,806
Mr. Chui Chi Yun, Robert (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	33,604	-	-	-	33,604
	31 March 2012	5.59	31 March 2012 to 30 March 2017	67,225	-	-	-	67,225
Mr. Chan Tin Lup, Trevor (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	33,604	-	-	-	33,604
	31 March 2012	5.59	31 March 2012 to 30 March 2017	67,225	-	-	-	67,225
Prof. Wong Lung Tak, Patrick (Director)	28 March 2011	7.62	28 March 2012 to 27 March 2021	33,604	-	-	-	33,604
	31 March 2012	5.59	31 March 2012 to 30 March 2017	67,225	-	-	-	67,225

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

As at 30 September 2014, 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

Name of shareholders	Capacity	No. of shares held	Approximate percentage of the issued share capital of the Company
Tse Young Lai	Beneficial owner	563,457,000	19.51%

EMPLOYEE AND REMUNERATION POLICY

The Board 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.

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

Other than convertible bonds amounting to HK\$19,550,000 and HK\$215,460,000 which were early redeemed during the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

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 Prof. Wong Lung Tak, Patrick.

The Group's unaudited results for the nine months ended 30 September 2014 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.

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 nine months ended 30 September 2014.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2013 annual report of the Company.

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 nine months ended 30 September 2014.

On behalf of the Board

National Arts Entertainment and Culture Group Limited

Law Po Yee

*Vice Chairperson, Executive Director
and Chief Executive Officer*

Hong Kong, 12 November 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Sin Kwok Lam

Vice Chairperson, Executive Director and Chief Executive Officer

Miss Law Po Yee

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

Prof. Wong Lung Tak Patrick

Mr. Lee Kit Chee, Arthur

COMPANY SECRETARY

Mr. Chan Man Hung

COMPLIANCE OFFICER

Miss Law Po Yee

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit B, 2/F, Jone Mult Factory Building

169 Wai Yip Street

Kwun Tong Kowloon, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICES

Principal share registrar and transfer office

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Hong Kong branch share registrar and transfer office

Tricor Secretaries Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai Hong Kong

AUTHORISED REPRESENTATIVES

Miss Law Po Yee

Mr. Chow Kai Weng

COMMITTEES

Audit Committee

Mr. Chui Chi Yun Robert (*Chairman*)

Mr. Chan Tin Lup Trevor

Prof. Wong Lung Tak Patrick

Remuneration Committee

Mr. Chui Chi Yun Robert (*Chairman*)

Mr. Chan Tin Lup Trevor

Prof. Wong Lung Tak Patrick

Nomination Committee

Mr. Sin Kwok Lam (*Chairman*)

Mr. Chan Tin Lup Trevor

Prof. Wong Lung Tak Patrick

LEGAL ADVISORS

Conyers Dill & Pearman

AUDITOR

BDO Limited, Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

GROUP'S WEBSITE

<http://www.nationalarts.hk>

STOCK CODE

8228