



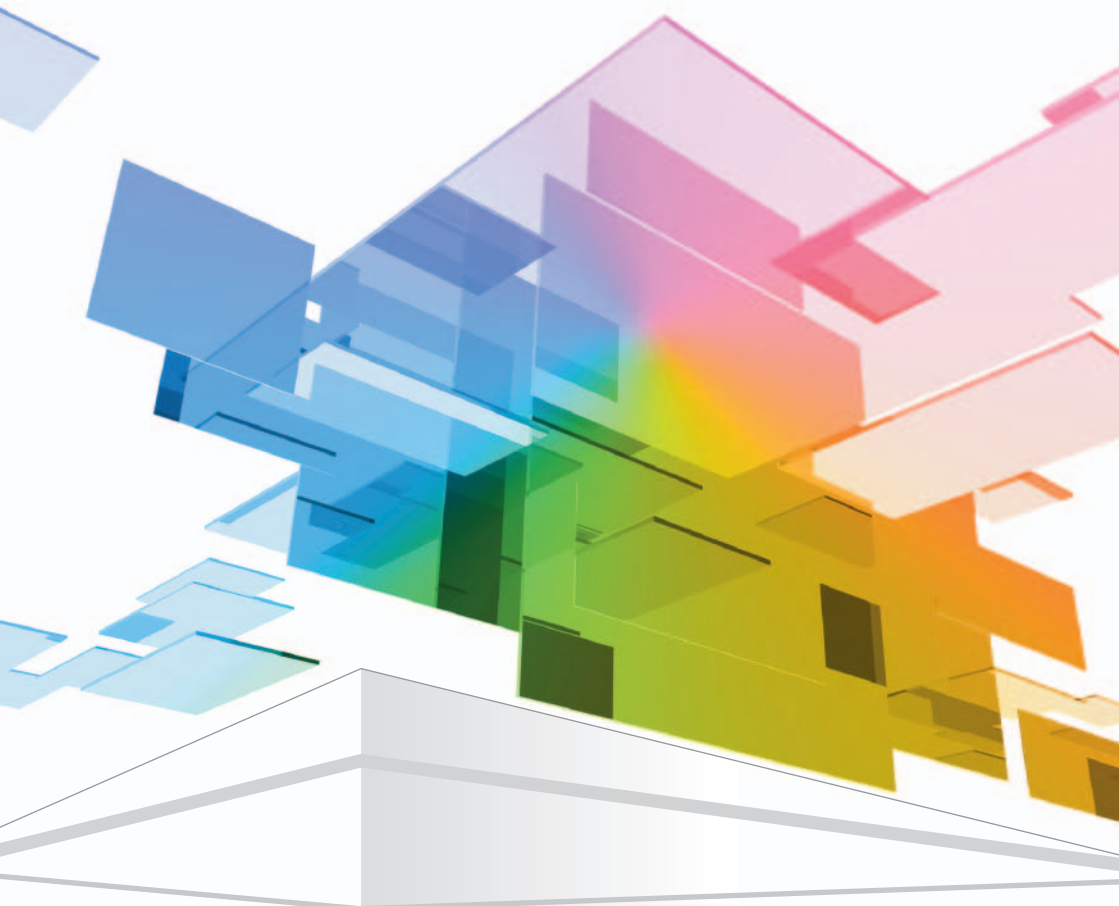
National Arts

National Arts Holdings Limited

(Formerly known as "Vertex Group Limited 慧峰集團有限公司")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8228)



* For Identification Purpose Only

First Quarterly Report
2010

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.

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 Stock 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 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 2010, together with the comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Notes	Three months ended	
		31 March	
		2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	2	112	3,138
Other operating income		–	12
Staff costs		(830)	(1,811)
Direct operating and subcontracting costs		(78)	(2,837)
Depreciation of property, plant and equipment		(61)	(73)
Royalty and production costs		–	(18)
Other operating expenses		(837)	(836)
Finance cost		(91)	(829)
Gain on disposal of an associate		–	–
Loss before taxation		(1,785)	(3,254)
Taxation	3	–	–
Loss for the period		(1,785)	(3,254)
Attributable to:			
Equity holders of the Company		(1,785)	(3,254)
Minority Interest		–	–
		(1,785)	(3,254)
Loss per share			
– Basic	4	HK\$(0.18) cents	HK\$(0.53) cents
– Diluted	4	N/A	HK\$(0.53) cents



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.

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 of Hong Kong Limited (the "Stock Exchange").

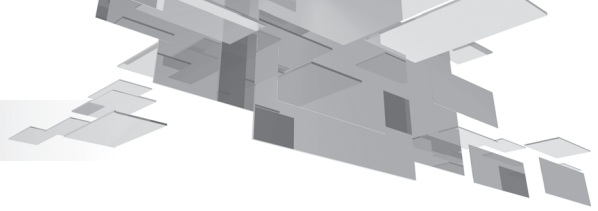
The unaudited consolidated results for the three months ended 31 March 2010 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

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 2009.

2. TURNOVER

The Company is principally engaged in investment holding. The principal activities of the Group include film production and distribution, provision of artistes management, advertising and promotion services, the provision of network infrastructure and electrical installation services, and digital solution services.

Turnover represents the value of goods and services recognized when services are rendered or goods are delivered and title has passed.



3. TAXATION

Hong Kong Profits Tax has not been provided for the three months ended 31 March 2010 (2009: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods. The tax credit incurred in the previous period was a result of written back of over provision of taxation in prior years.

Pursuant to the Income Tax Law of the PRC for Enterprise with Foreign Investment and Foreign Enterprises, the Company's subsidiary in the PRC is exempted from income tax for its first two profitable years of operations and is entitled to a 50% relief on the income tax of the PRC for the following three years. No provision for the PRC income tax has been provided as the Company's subsidiary in the PRC has no assessable profit in the PRC for the three months ended 31 March 2010 (2009: Nil).

The Company is exempted from taxation in the Cayman Islands until 2019.

No provision for deferred tax has been provided for the Group because there were no significant timing differences at the balance sheet date (2009: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2010 was based on the unaudited net loss for the period of approximately HK\$1,785,000 (2009: loss of HK\$3,254,000) and on the weighted average number of 979,697,733 shares (2009: 615,090,232 shares) deemed to be in issue throughout the periods.

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option schemes and warrants since their exercises would result in a reduction in net loss per share.

5. DIVIDEND

The Board does not resolve the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).



6. UNAUDITED STATEMENT OF MOVEMENT TO AND FROM RESERVE

	Share Capital	Share Premium	Special Reserve	Capital Reserve	Translation Reserve	Share Option Reserve	Accum- lated Losses	Total	Minority Interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2009	6,151	116,548	1,000	1,750	288	2,279	(188,279)	(60,263)	-	(60,263)
Exercise of share options	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(3,254)	(3,254)	-	(3,254)
Employee share-based compensation	-	-	-	-	-	-	-	-	-	-
As at 31 March 2009	6,151	116,548	1,000	1,750	288	2,279	(191,533)	(63,517)	-	(63,517)
As at 1 January 2010	11,896	161,196	1,000	-	287	2,285	(166,215)	10,449	-	10,449
Exercise of share options	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(1,785)	(1,785)	-	(1,785)
Employee share-based compensation	-	-	-	-	-	-	-	-	-	-
As at 31 March 2010	11,896	161,196	1,000	-	287	2,285	(168,000)	8,664	-	8,664

FINANCIAL REVIEW

For the three months ended 31 March 2010, the Group recorded a decrease in turnover of approximately HK\$3 million, representing a drop of approximately 96% over the corresponding period in 2009. The turnover for the period under review was attributable to the engineering business and its decrease was due to decrease of engineering business in 2010.

Staff cost for the period under review decreased to approximately HK\$0.8 million from as compared to the corresponding period approximately HK\$1.8 million in the previous year. The decrease in staff cost was mainly due to lesser headcounts in media business during the period under review.

The direct operating and subcontracting costs for the period under review decreased approximately HK\$2.8 million due to the decrease of engineering business.

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

During the period under review, the Group has devoted all productive resources in the film and entertainment businesses in view of strong growth of China market and support from government policies on cultural development.

As the company's movie, namely "The Legend is born – Ip Man" will be released in June 2010, substantial investment has been capitalized in the content making businesses. In addition, our two upcoming artistes have been gaining popularity. The management believes that joining film and entertainment businesses would bring positive impact to the Company.

In coming period, the management plans to produce two to three new movies, which will start in the second half year of 2010 and first quarter of 2011. Also, the Company is currently seeking other film-related development opportunities, including but not limited to, artiste expansion and training.

As the competition in the engineering industry has affected the margin of projects, the contribution of this business becomes slow. Because the margin contribution and the impact on the cash flow are uncertain, expansion of the business would become unfavorable.

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").

Pre-IPO Share Option Scheme

As at 31 March 2010, the share options to subscribe for an aggregate of 1,416,942 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 2010 are set out as follows:

Category of participants	Exercise price per share* (HK\$)	Number of share options*			
		As at 1 January 2010	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2010
Advisors and consultants	0.425	1,412,706	-	-	1,412,706
Employees	0.113	4,236	-	-	4,236
Total		1,416,942	-	-	1,416,942



Post-IPO Share Option Scheme

As at 31 March 2010, the share options to subscribe for an aggregate of 6,354,000 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 2010 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 2010
			As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	0.491*	10 November 2006	6,354,000	-	-	-	6,354,000
Total			6,354,000	-	-	-	6,354,000

* Pursuant to the announcement regarding to the result of the Open Offer dated 4 August 2009, the exercise price of the share options and the number of outstanding share options as at the completion of the Open Offer were required to be adjusted as a result of the Open Offer. The auditors of the Company has reviewed and agreed with the adjustments to the share options.

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

As at 31 March 2010, 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 of Hong Kong Limited (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	Number of shares of the Company			Approximate percentage of the issued share capital of the Company
	Beneficial owner	Interest in controlled corporation	Total	
Dr. Poon Kwok Lim, Steven*	–	101,544,862 ⁽¹⁾	101,544,862	8.54%

* *resigned on 19 May 2009*



Note:

1. Dr. Poon Kwok Lim, Steven owned 101,544,862 shares of the Company, representing approximately 8.54% of the issued share capital of the Company through Bright World Enterprise Limited ("Bright World"). The entire issued share capital of Bright World is wholly and beneficially owned by Asia Link Investment Limited which in turn is wholly and beneficially owned by Bauhinia Investment Management Limited which is legally and beneficially interested in as to 80% by Dr. Poon, a former executive Director who resigned on 19 May 2009, and as to 20% by Mrs. Poon Wong Wai Ping, the spouse of Dr. Poon. These shares were the same as those shares as disclosed in the section headed "Interests and Short Positions in the Shares and Underlying Shares" below.

Dr. Poon Kwok Lim, Steven was entitled to exercise or control the exercise of one-third or more of the voting rights of Bright World Enterprise Limited, thereby he was deemed to be interested in all the shares held by the aforesaid company by virtue of the SFO. By virtue of the SFO, Mrs. Poon was deemed to be interested in all the shares in which Dr. Poon Kwok Lim, Steven was interested.

2. Rights to acquire shares in the Company

i. Post-IPO Share Option Scheme

Name of Directors	Date of grant	Exercise price per share* (HK\$)	Exercisable period	Number of share options*			As at 31 March 2010
				As at 1 January 2010	Exercised during the period	Lapsed during the period	
Mr. Poon Shu Yan, Joseph	10 November 2006	0.491	10 November 2006 to 9 November 2016	6,354,000	-	-	6,354,000

* Pursuant to the announcement regarding to the result of the Open Offer dated 4 August 2009, the exercise price of the share options and the number of outstanding share options as at the completion of the Open Offer were required to be adjusted as a result of the Open Offer. The auditors of the Company has reviewed and agreed with the adjustments to the share options.

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 31 March 2010, 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.

INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2010, the persons or corporations 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	147,803,333	12.42%



MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

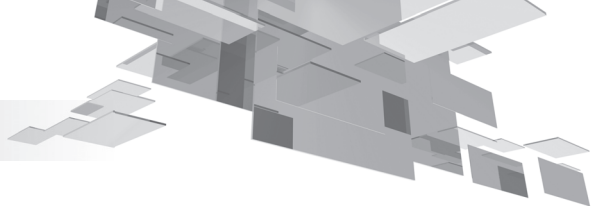
The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied 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 2010.

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 most of the code provisions set out in the Code on Corporate Governance (the "Code") contained in Appendix 15 of the GEM Listing Rules, except for the deviation from code provision A.4.2 of the Code.

Under code provision A.4.2 of the Code, every director should be subject to retirement by rotation at least once every three years. The Directors have not been required by the Articles of Association to retire by rotation once every three years. However, according to Article 87 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation save any Director holding office as Chairman and/or Managing Director. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman and/or Managing Director, by rotation at least once every three years in order to comply with the Code provisions. The Chairman of the Company will not be subject to retirement by rotation as stipulated under code provision A.4.2 of the Code as the Board considers the continuity of office of the Chairman enables the Group to maintain a consistent leadership which is of crucial importance to the smooth operations of the Group.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2009 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 2010, 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 and one non-executive Director, namely Mr. Chui Chi Yun, Robert (Chairman), Mr. Chan Tin Lup, Trevor, Dr. Wong Luk Tak, Patrick and Mr. Lam Kwok Hing, Wilfred.

The Group's unaudited results for the three months ended 31 March 2010 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.



POST BALANCE SHEET EVENT

1. Pursuant to the announcement dated 12 April 2010, the Company has completed an Open Offer of 3,568,906,044 shares at HK\$0.03 per share. The issued share capital has been enlarged to 4,758,541,392 shares immediately after the completion of the Open Offer. The net proceeds of Open Offer of approximately HK\$107 million which will be used for strengthening the capital base, supporting the film production and general working capital.
2. Subsequent to the passing of a special resolution by the Shareholders at the extraordinary general meeting of the Company held on 15 March 2010, the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Cayman Islands on 9 April 2010, certifying that the change of name of the Company from "Vertex Group Limited" to "National Arts Holdings Limited" took effect on 9 April 2010. The Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by Registrar of Companies in Hong Kong on 3 May 2010 confirming the registration of the new name of the Company in Hong Kong under Part XI of the Companies Ordinance (Cap. 32 Laws of Hong Kong). The Company has adopted a new Chinese name "國藝控股有限公司" to replace "慧峰集團有限公司" for identification purpose. With effect from 9:30 a.m. on 11 May 2010, the Shares of the Company will be traded under the new name on the GEM.

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

Executive Directors:

Mr. Tang Yat Ming, Edward (*Chairman*)

Mr. Poon Shu Yan, Joseph

Mr. Li Sin Hung, Maxim

Non-executive Directors:

Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors:

Mr. Chan Tin Lup, Trevor

Mr. Chui Chi Yun, Robert

Dr. Wong Lung Tak, Patrick

Hong Kong, 11 May 2010

On behalf of the Board

National Arts Holdings Limited

(formerly known as Vertex Group Limited)

Tang Yat Ming, Edward

Chairman