



2010

Third Quarterly Report



National Arts

National Arts Holdings Limited

(Incorporated in the Cayman Islands 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 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 and nine months ended 30 September 2010, together with the comparative figures for the corresponding period in 2009 as follows:

Condensed Consolidated Statement of Comprehensive Income

	Note	Three months ended		Nine months ended	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover	2	112	3,138	5,835	4,874
Other operating income		–	12	–	13
Staff costs		(830)	(1,811)	(4,807)	(3,065)
Subcontracting and production costs		(78)	(2,837)	(12,143)	(4,384)
Depreciation of property, plant and equipment		(61)	(73)	(733)	(218)
Royalty costs		–	(18)	–	(90)
Other operating expenses		(837)	(836)	(4,652)	(3,764)
Finance cost		(91)	(829)	(371)	(2,211)
Gain on disposal of an associate	3	–	–	–	328
Loss before taxation		(1,785)	(3,254)	(16,871)	(8,517)
Taxation	4	–	–	–	–
Loss for the period		(1,785)	(3,254)	(16,871)	(8,517)
Other comprehensive income:					
Fair value gains on financial assets at fair value through profit or loss		–	–	265	–
Other comprehensive income for the period		–	–	265	–
Total comprehensive income for the period, attributable to the owners of the company		(1,785)	(3,254)	(16,606)	(8,517)
Attributable to:					
Equity holders of the Company		(1,785)	(3,254)	(16,606)	(8,517)
Minority interest		–	–	–	–
		(1,785)	(3,254)	(16,606)	(8,517)
Loss per share					
– Basic	5	HK\$(1.80) cents	HK\$(5.30) cents	HK\$(5.83) cents	HK\$(1.20) cents
– Diluted	5	N/A	HK\$(5.30) cents	N/A	HK\$(1.20) 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.

On 14 October 2010, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda.

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 nine months ended 30 September 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, digital solution services and investment in securities.

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) Income derived from provision of network infrastructure, electrical installation and digital solution services is recognised and determined using the percentage of completion method. The percentage of completion is calculated by comparing the costs incurred to date with the total estimated costs of the contract. When the contract is considered profitable, it is valued at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contract is recognised immediately as an expense.
- (e) Interest income is recognised on a time-proportion basis using the effective interest method.
- (f) Advertising income is recognised when the advertisements are published.

3. GAIN ON DISPOSAL OF AN ASSOCIATE

During the period under review, 50% issued share capital of Sino East Oil Services Limited, an inactive company, was disposed to Sino East Oil Company Limited for a consideration of HK\$388,125.

4. TAXATION

Hong Kong Profits Tax has not been provided for the nine months ended 30 September 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 nine months ended 30 September 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).

5. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 30 September 2010 was based on the unaudited net loss for the period of approximately HK\$16,606,000 (2009: loss of HK\$8,517,000) and on the weighted average number of 284,681,594 shares (2009: 70,777,661 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.

** Please refer to page 7 of this report.

6. DIVIDEND

The Board does not resolve the payment of an interim dividend for the nine months ended 30 September 2010 (2009: Nil).

7. UNAUDITED STATEMENT OF MOVEMENT TO AND FROM RESERVE

	Share Capital HK\$'000	Share Premium [†] HK\$'000	Special Reserve HK\$'000	Capital Reserve HK\$'000	Translation Reserve HK\$'000	Share Option Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000	Minority Interests HK\$'000	Total equity 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	-	-	-	-	(5)	-	-	(5)	-	(5)
Loss for the period	-	-	-	-	-	-	(8,517)	(8,517)	-	(8,517)
Employee share-based compensation	-	-	-	-	-	6	-	6	-	6
Issuance of new shares	960	6,048	-	-	-	-	-	7,008	-	7,008
Open Offer	3,555	28,444	-	-	-	-	-	31,999	-	31,999
Shares issue expenses	-	(1,543)	-	-	-	-	-	(1,543)	-	(1,543)
As at 30 September 2009	10,666	149,497	1,000	1,750	283	2,285	(196,796)	(31,315)	-	(31,315)
As at 1 January 2010	11,896	161,196	1,000	-	287	2,285	(166,215)	10,449	-	10,449
Exercise of share options	-	-	-	-	-	-	-	-	-	-
Shares issued under share placements	35,689	71,378	-	-	-	-	-	107,067	-	107,067
Share expenses	-	(3,864)	-	-	-	-	-	(3,864)	-	(3,864)
Currency translation differences	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(16,606)	(16,606)	-	(16,606)
Employee share-based compensation	-	-	-	-	-	626	1,326	1,952	-	1,952
As at 30 September 2010	47,585	228,710	1,000	-	287	2,911	(181,495)	98,998	-	98,998

* Pursuant to resolution no.3 passed in the EGM dated 29 September 2010, the entire amounts standing to the credit of the share premium account of the Company as at 30 June 2010 in the amount of HK\$228,710,094 be cancelled and transferred to an account of the Company designated as the contributed surplus account of the Company.

FINANCIAL REVIEW

For the nine months ended 30 September 2010, the Group recorded an increase in turnover of approximately HK\$1 million, representing a rise of approximately 21% over the corresponding period in 2009. The turnover for the period under review was mainly attributable to the film and artiste management businesses, which were the new business segments in 2010.

Staff cost for the period under review increased to approximately HK\$5 million from as compared to the corresponding period approximately HK\$3 million in the previous year. An increase of approximately HK\$1,952,000 in staff cost was mainly due to the granting of share options to directors and employees during the period under review but not because of normal staff cost.

Direct operating costs for the period under review increased approximately HK\$8 million due to approximately HK\$12 million film rights amortised during the period under review.

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

The two upcoming artistes, To Yu Hang and Rose Chan, have been gaining popularity. Besides the movies produced by the Group, they have secured their roles in two upcoming movies and one TV drama, with some other movies and TV performances under negotiations. During the period under review, the number of jobs for both artistes has been increasing not only in Hong Kong and PRC but also in other Asian countries. The Company expects positive contribution from the artistes management business and therefore would increase the investment in this segment.

The first produced movie of the Company, namely “The Legend is born – Ip Man” was released in late June 2010. During the period, the movie has strengthened the Company’s position, network and experience in the entertainment and film industries. This was a result of relatively large amount of marketing expenses invested in the movie. However, as far as the result has been released, the movie could not bring positive result to the Company. After evaluation, the management still has full confidence on film production and the Company would conclude the experience for future investment in this business segment.

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

Due to thin margin of projects and the requirement of cash flow, the Group decided to reduce the engineering business.

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 Post-IPO Share Option Scheme was adopted and the existing Post-IPO Share Option Scheme was terminated. The principal terms of new Post-IPO Share Option Scheme are set out in the circular of the Company dated 6 September 2010.

Pre-IPO Share Option Scheme

As at 30 September 2010, 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 30 September 2010 are set out as follows:

Category of participants	Exercise price per share** (HK\$)	Number of share options**			Outstanding as at 30 September 2010
		As at 1 January 2010	Exercised during the period	Lapsed during the period	
Advisors and consultants	3.06*	196,507*	-	-	196,507*

* Pursuant to the announcement regarding to the result of the Open Offer dated 12 April 2010, 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.

** Pursuant to the announcement dated 17 August 2010, 27 August 2010, 29 September 2010 and the resolution passed by the EGM of the Company on 29 September 2010, the exercise prices and the number of the share options were adjusted due to the Share Consolidation that every 10 issued and unissued Shares of HK\$ 0.01 each in the share capital of the Company into 1 Consolidated Share of HK\$0.10 each.

Post-IPO Share Option Scheme

As at 30 September 2010, the share options to subscribe for an aggregate of 79,133,841 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 2010 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 2010
			As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	3.53*	10 November 2006	883,841*	-	-	-	883,841*
Directors	0.61	13 May 2010	-	2,100,000	-	-	2,100,000
Directors	0.564	20 May 2010	-	650,000	-	-	650,000
Directors	0.48	29 September 2010	-	75,250,000	-	-	75,250,000
Employees	0.48	29 September 2010	-	250,000	-	-	250,000
Total			883,841	78,250,000	-	-	79,133,841

* Please refer to page 7 of this report.

** Please refer to page 7 of this report.

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

As at 30 September 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**			Total	Approximate percentage of the issued share capital of the Company
	Beneficial owner	Interest in controlled corporation			
Mr. Sin Kwok Lam and Miss Law Po Yee ¹	24,870,000	-		24,870,000	5.23%

Note:

- Mr. Sin Kwok Lam and his spouse, Miss Law Po Yee, have a total of personal interest of 24,870,000 shares and 72,000,000 share options of the Company (representing 20.36% of the issued share capital of the Company) long position interests of the Company within the meaning of Part XV of Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

** Please refer to page 7 of this report.

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 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2010
Mr. Poon Shu Yan, Joseph	10 November 2006	3.53*	10 November 2006 to 9 November 2016	883,841*	-	-	-	883,841*
Mr. Poon Shu Yan, Joseph	20 May 2010	0.564	20 May 2010 to 19 May 2020	-	100,000	-	-	100,000
Mr. Tang Yat Ming, Edward	13 May 2010	0.61	13 May 2010 to 12 May 2020	-	400,000	-	-	400,000
Mr. Lam Kwok Hing, Wilfred	13 May 2010	0.61	13 May 2010 to 12 May 2020	-	1,500,000	-	-	1,500,000
Mr. Lam Kwok Hing, Wilfred	29 September 2010	0.48	3 September 2010 to 2 September 2020	-	3,250,000	-	-	3,250,000
Mr. Chui Chi Yun, Robert	13 May 2010	0.61	13 May 2010 to 12 May 2020	-	200,000	-	-	200,000
Mr. Li Sin Hung, Maxim	20 May 2010	0.564	20 May 2010 to 19 May 2020	-	150,000	-	-	150,000
Mr. Chan Tin Lup, Trevor	20 May 2010	0.564	20 May 2010 to 19 May 2020	-	200,000	-	-	200,000
Dr. Wong Lung Tak, Patrick	20 May 2010	0.564	20 May 2010 to 19 May 2020	-	200,000	-	-	200,000
Mr. Sin Kwok Lam	29 September 2010	0.48	3 September 2010 to 2 September 2020	-	48,000,000	-	-	48,000,000
Miss Law Po Yee	29 September 2010	0.48	3 September 2010 to 2 September 2020	-	24,000,000	-	-	24,000,000

* Please refer to page 7 of this report

** Please refer to page 7 of this report

Save as disclosed above, none of the Directors, chief executive or their associates had, as at 30 September 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.

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

As at 30 September 2010, 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	125,260,333	26.32%

** Please refer to page 7 of this report

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 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 nine months ended 30 September 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, namely Mr. Chui Chi Yun, Robert (Chairman), Mr. Chan Tin Lup, Trevor and Dr. Wong Lung Tak, Patrick.

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

1. Pursuant to the announcements dated 17 August 2010, 27 August 2010, 29 September 2010, 15 October 2010 and 1 November 2010, the EGM of the Company has passed the resolutions for (i) Share Consolidation; (ii) proposed Placing; (iii) proposed Change of Domicile; (iv) proposed amendment to the Articles; (v) proposed Cancellation of Share Premium Account; (vi) proposed Capital Reorganisation; (vii) proposed termination of Existing Scheme and adoption of New Scheme; and (viii) connected transaction: proposed grant of Options to Directors and employees.
2. Pursuant to the announcement dated 15 October 2010, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda effective on 14 October 2010.
3. Pursuant to the announcement dated 1 November 2010, the Placing was completed on 1 November 2010 in accordance with the terms and conditions of the Placing Agreement. The net proceeds from the Placing amount to approximately HK\$30,900,000. As a result of the Placing, a total of 95,000,000 Bonus Warrants will be allotted and issued on the basis of one Bonus Warrant for every Placing Share subscribed.

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

Executive Directors:

Miss Law Po Yee (*Vice Chairman*)

Mr. Tang Yat Ming, Edward

Mr. Poon Shu Yan, Joseph

Mr. Li Sin Hung, Maxim

Non-executive Directors:

Mr. Sin Kwok Lam (*Chairman*)

Mr. Lam Kwok Hing, Wilfred (*Vice Chairman*)

Independent Non-executive Directors:

Mr. Chan Tin Lup, Trevor

Mr. Chui Chi Yun, Robert

Dr. Wong Lung Tak, Patrick

Hong Kong, 9 November 2010

On behalf of the Board

National Arts Holdings Limited

(formerly known as Vertex Group Limited)

Law Po Yee

Vice Chairman