



# ***National Arts***

## **National Arts Holdings Limited**

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



# **First Quarterly Report 2013**

## **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 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 Exchange 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 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.*

# CONTENTS

Page

Unaudited consolidated statement of comprehensive income	2
Notes on the unaudited first quarterly report	4
Management discussion and analysis	7
Additional information	10
Corporate information	17

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 2013, together with the comparative figures for the corresponding period in 2012 as follows:

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Revenue/Turnover</b>	2	<b>1,775</b>	1,686
Other operating income	3	<b>1,690</b>	29,804
Cost of film production		<b>(110)</b>	–
Staff costs		<b>(3,351)</b>	(8,177)
Depreciation of property, plant and equipment		<b>(390)</b>	(526)
Amortisation of land lease prepayments		<b>(561)</b>	(574)
Other operating expenses		<b>(4,444)</b>	(3,095)
Finance costs	4	<b>(876)</b>	(3,174)
Change in fair value of financial assets at fair value through profit or loss		–	1,882
<b>(Loss)/Profit before income tax</b>		<b>(6,267)</b>	17,826
Income tax expense	5	<b>(159)</b>	–
<b>(Loss)/Profit for the period</b>		<b>(6,426)</b>	17,826
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of foreign operations		<b>1,266</b>	646
<b>Other comprehensive income for the period</b>		<b>1,266</b>	646
<b>Total comprehensive income for the period</b>		<b>(5,160)</b>	18,472

		<b>Three months ended 31 March</b>	
		<b>2013</b>	2012
	Notes	<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/Profit for the period attributable to:</b>			
Owners of the Company		<b>(4,637)</b>	6,642
Non-controlling interests		<b>(1,789)</b>	11,184
		<b><u>(6,426)</u></b>	<u>17,826</u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>(3,993)</b>	6,971
Non-controlling interests		<b>(1,167)</b>	11,501
		<b><u>(5,160)</u></b>	<u>18,472</u>
<b>Basic (loss)/earnings per share attributable to the owners of the Company during the period</b>			
	6	<b><u>(HK\$0.11 cents)</u></b>	(Restated) HK\$0.51 cents
<b>Diluted (loss)/earnings per share attributable to the owners of the Company during the period</b>			
	6	<b><u>(HK\$0.11 cents)</u></b>	(Restated) HK\$0.46 cents

# NOTES ON THE UNAUDITED FIRST 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 three months ended 31 March 2013 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 2012.

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

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

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:

- (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) Management fee income and revenue from rendering of services are recognised when the agreed services are rendered.
- (d) Entrance fee income is recognised when the tickets are accepted and surrendered by the customer.
- (e) Sale of goods is recognised when the significant risk and rewards of ownership of the goods have been transferred to the buyers.
- (f) Rental Income under operating leases is recognised over the lease term. Contingent rentals are recognised on the accounting period when they are incurred.
- (g) Interest income is recognised on a time-proportion basis using the effective interest method.
- (h) 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\$1,690,000, which decreased by HK\$28,114,000 as previous period included a construction management fee income of 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 of HK\$2,892,000.

### 4. FINANCE COSTS

During the period under review, finance costs were amounting to approximately HK\$876,000, which decreased 72% as compared with 2012. There was a decrease of finance costs as no interest (2012: HK\$2,152,000) was incurred for convertible bonds, which have been early redeemed by the Company in December 2012.

### 5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the three months ended 31 March 2013 (2012: 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. The PRC income tax charged during the period under review (2012: Nil) represented the tax levied on a Hong Kong subsidiary of the Group at 10% in respect of income derived from the source within the PRC.

### 6. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic and diluted (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company of HK\$4,637,000 (2012: profit of HK\$6,642,000) and the weighted average number of ordinary shares in issue during three months period which calculated as follows:

	Three months ended 31 March	
	2013 '000	2012 '000 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>4,056,271</b>	1,290,155
Effect of dilutive potential ordinary shares:		
Share options	-	53,621
Warrants	-	91,460
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<b>4,056,271</b>	1,435,236
	<hr/>	<hr/>

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK\$4,637,000 (2012: profit of HK\$6,642,000) and the weighted average of approximately 4,056,271,000 (2012: approximately 1,290,155,000 as restated to reflect the rights issue of the Company in December 2012) 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 31 March 2013 was the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive. 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 1,435,236,000 (as restated to reflect the rights issue of the Company in December 2012) ordinary shares outstanding during the period.

## 7. DIVIDEND

The Board does not recommend payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

## 8. UNAUDITED CONSOLIDATION STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Special reserve	Contributed surplus	Translation reserve	Share option reserve	Convertible bond equity reserve	(Accumulated losses)/ Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2012	8,012	126,941	1,000	78,791	998	21,002	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
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	329	-	-	-	329	317	646
As at 31 March 2012	<u>8,012</u>	<u>126,941</u>	<u>1,000</u>	<u>78,791</u>	<u>1,327</u>	<u>26,270</u>	<u>62,754</u>	<u>(3,500)</u>	<u>301,595</u>	<u>222,206</u>	<u>523,801</u>
As at 1 January 2013	40,562	412,074	1,000	78,791	1,777	26,229	-	11,061	571,494	222,321	793,815
Loss for the period	-	-	-	-	-	-	-	(4,637)	(4,637)	(1,789)	(6,426)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	644	-	-	-	644	622	1,266
As at 31 March 2013	<u>40,562</u>	<u>412,074</u>	<u>1,000</u>	<u>78,791</u>	<u>2,421</u>	<u>26,229</u>	<u>-</u>	<u>6,424</u>	<u>567,501</u>	<u>221,154</u>	<u>788,655</u>



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the period under review, the Group reported a turnover of approximately HK\$1.8 million, an increase of 5% 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 business of film studio in the PRC.

Other operating income for the period under review decreased approximately HK\$28.1 million as there has (i) an one-off construction management fee income during the previous period amounted to approximately HK\$26.9 million was from a local government company located in Foshan City, the PRC; and (ii) a gain on disposal of a property located in Hong Kong amount to approximately HK\$2.9 million.

Staff costs for the period under review decreased to approximately HK\$3.4 million from approximately HK\$8.2 million in previous period. A decrease of approximately HK\$4.8 million in staff costs was mainly due to no share option expense was recognised during the period under review.

Finance costs for the period under review decreased approximately HK\$2.3 million as no interest on convertible bonds was incurred during the period under review.

For the three months ended 31 March 2013, the Group recorded a net loss of HK\$6.4 million as compared to net profit of the comparable period of approximately HK\$17.8 million. The record of loss for the three months ended was mainly due to the decrease of other operating income as mentioned above.

## BUSINESS REVIEW

### **Xiqiao Mountain Dream Work Project**

Located in Foshan City, Guangdong province, the Group's Xiqiao Mountain Dream Work Project has a total of developed land area of 444,000 square metres. Drawing on the experience of the U.S. Universal Studios, it is a unique studio which embodies world-wide success elements such as leisure resort hotels and film shooting base and incorporates tourism and recreational facilities such as film shooting area and hotels.

- ***Film Shooting Base***

The film shooting base is the core project of the Xiqiao Mountain Dream Work project and it will equip with the most excellent and comprehensive ancillary facilities featuring most realistic and delicate details in South China. Its Hong Kong Scene Area, covering an area of 33,350 square metres and reproducing Hong Kong's scene in the 1950s and 1960s, was completed and put into operation in August 2012. "Ip Man – The Final Fight", a blockbuster film invested by the Group, was the first film shot in Hong Kong Scene Area.

The studio has remained closed to the public. However, the Group made certain areas in the studio open to public for holding holiday parties during the Halloween, the Christmas and the New Year. It received warm response as evident by around 10,000 visitors in only ten days during these three holidays. The Group is considering holding themed parties in the studio on a regular basis in order to promote the Xiqiao Mountain Dream Work.

All other shooting scenic spots will be completed in this year or next year, including Shanghai Scene Area and Canton Scene Area which are expected to be completed in June 2013, the Ming-Qing Dynasty Palace is expected to be completed in August 2013, the Imperial Garden, the Beijing Old Street, the Four-section Compound, the Water Towns in Southern Yangtze River, the Qing-Ming Festival Riverside Scene and the Foreign Scene Area which are expected to be completed at the end of 2013. The film shooting base can provide diversified and practical scenes for crews from Mainland China and Hong Kong, and is expected to attract a lot of film production companies in Mainland China and Hong Kong due to its supreme geographical location and good climate. We have received confirmations from more than three film production companies for the lease of Hong Kong Scene Area. The Group expects the revenue from the studio to increase and make considerable contribution to the Group.

- ***Hotels***

There are two hotels, being National Arts Resort Hotel and National Arts Boutique Hotel, adjacent to the studio. These hotels have rooms at different prices from deluxe suites to economic standard rooms to cater to visitors' needs. National Arts Resort Hotel will be completed and commence operation by the end of this year. Featuring a modern European design style and incorporating Greek colour elements and providing 353 suites, it will be the most luxurious and distinctive hotel in the region. The construction of National Arts Boutique Hotel in close proximity to it will commence in the mid of the year, which is expected to be completed in the second quarter of 2014 and will provide approximately 440 rooms.

- ***"Wong Tai Sin Temple" and "Ti Tsang Temple"***

The "Wong Tai Sin Temple" and "Ti Tsang Temple" located in Xiqiao Mountain were completed in July 2011. Wong Tai Sin saint statue made of 99% pure gold, the world's heaviest statue, is enshrined in the temple to attract worshippers and visitors. There were 5,000 to 10,000 visits each month during 2012 and 2013. The Group transferred the ownership of "Wong Tai Sin Temple" and "Ti Tsang Temple" to Xiqiao Town People's Government by entering an agreement pursuant to which the Group is entitled to 70% of the revenue from the Wong Tai Sin Temple on an annual basis for the next 40 years as repayments for consideration. The Group has also received a guarantee made by local government for repayments of not less than RMB74.7 million.

## **Film Production**

The shooting of “Ip Man – The Final Fight”, a film which the Group has conceived and produced for a long time, was completed in early 2013. Its cast includes, among others, Movie Kings Anthony Wong and Eric Tsang, Movie Queen Anita Yuen, Timmy Hung, Gillian Chung and Marvel Chow, an artist of the Group. The film reviews the life of Wing Chun legend grandmaster Ip Man at his old age in Hong Kong. It was chosen as an opening film of this year’s Hong Kong International Film Festival, and was also selected to compete at the fifteenth Udine Far East Film Festival. The film was officially released in Hong Kong and Mainland China in March 2013 and distributed in overseas markets, which sparked another Kung Fu craze.

The Group expects this film to attract more visitors to the Xiqiao Mountain Dream Work by enhancing its popularity and create synergies by attracting film production companies for the lease of the shooting area of the studio.

## **Cinema**

National Arts Films Production Limited (“NA Films”), an indirectly wholly-owned subsidiary of the Company, collaborated with its Macau partner for the development of cinema business in a large shopping mall in a transportation hub area of Zhuhai. NA Films holds 60% equity interest in the joint venture, which has entered into a lease agreement with the landlord for a term of 15 years. The cinema will boast 8 screens and a total of more than 730 seats, and is expected to commence operation in the middle of the year which will support more comprehensive development of the Group’s entertainment and culture business.

## **Artiste Management**

Apart from in the films produced by the Group, our artists Marvel Chow, Dennis To, and Rose Chan will also perform in different films and TV shows. The Group will also identify suitable institutions for them to serve as spokespersons and participate in advertising photography. Joining the Group in August 2012, Marvel Chow was recognised as one of the Ten Outstanding Young Persons in Hong Kong in 2011, and performed in “Ip Man – The Final Fight” invested by the Group.

## **FUTURE PROSPECT**

Despite the slight slow-down of China's economy growth, the PRC film industry will continue to be at a stage of rapid growth in 2013. This, combined with the fact the central Chinese government has actively introduced a series of policies for the tourism and culture industry, will build a favourable business environment for the Group's film and entertainment business. The Group is fully confident in the film industry and will continue to enhance its development.

As for tourism, according to a statistics published by the Tourism Administration of Guangdong Province, the total tourism revenue in Guangdong province was RMB738.9 billion in 2012, representing an increase of 14.7% from the previous year. The rank of Guangdong province in China in terms of total tourism revenue rose to the first this year from the second in 2011. With the completion of the scenic spots of the Xiqiao Mountain Dream Work, the Group believes that it will attract more visitors and become a popular new attraction for short trips within Guangdong province.

## **ADDITIONAL INFORMATION**

### **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 Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme 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 the New Share Option Scheme are set out in the circular of the Company dated 6 September 2010.

## Post-IPO Share Option Scheme

As at 31 March 2013, the share options to subscribe for an aggregate of 124,255,233 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 2013 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding
			As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	as at 31 March 2013
Directors	0.38	13 May 2010	2,728,947	-	-	-	2,728,947
Directors	0.35	20 May 2010	886,286	-	-	-	886,286
Directors	0.30	29 September 2010	<u>120,640,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,640,000</u>
Total			<u>124,255,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,255,233</u>

## New Share Option Scheme

As at 31 March 2013, the share options to subscribe for an aggregate of 104,022,000 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 2013 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding
			As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	as at 31 March 2013
Directors	0.79	28 March 2011	97,539,240	-	-	-	97,539,240
Directors	0.58	31 March 2012	<u>6,482,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,482,760</u>
Total			<u>104,022,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,022,000</u>

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

As at 31 March 2013, 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	Approximate percentage of the issued share capital of the Company	
				Total	
(a) The Company (Ordinary shares of HK\$0.01 each)					
Mr. Sin Kwok Lam (Note 1)	Beneficial owner	976,390,000	–	976,390,000	24.07%
	Interest of spouse	33,360,000	–	33,360,000	0.82%
Miss Law Po Yee (Note 1)	Beneficial owner	33,360,000	–	33,360,000	0.82%
	Interest of spouse	976,390,000	–	976,390,000	24.07%
(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 1,009,750,000 Shares, representing approximately 24.89% of the issued share capital of the Company. By virtue of SFO, Miss Law, the spouse of Mr. Sin, is deemed to be interested in all the Shares in which Mr. Sin is 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	As at 1 January 2013	Number of share options			Outstanding as at 31 March 2013
					Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin Kwok Lam (Director)	29 September 2010	0.30	29 September 2010 to 2 September 2020	76,800,000	-	-	-	76,800,000
Miss Law Po Yee (Director)	29 September 2010	0.30	29 September 2010 to 2 September 2020	38,400,000	-	-	-	38,400,000
Mr. Lam Kwok Hing Wilfred (Director)	13 May 2010	0.38	13 May 2010 to 12 May 2020	2,407,894	-	-	-	2,407,894
	29 September 2010	0.30	29 September 2010 to 2 September 2020	5,200,000	-	-	-	5,200,000
Mr. Chow Kai Weng (Director)	29 September 2010	0.30	29 September 2010 to 2 September 2020	240,000	-	-	-	240,000
Mr. Li Sin Hung Maxim (Director)	20 May 2010	0.35	20 May 2010 to 19 May 2020	241,714	-	-	-	241,714
Mr. Chui Chi Yun, Robert (Director)	13 May 2010	0.38	13 May 2010 to 12 May 2020	321,053	-	-	-	321,053
Mr. Chan Tin Lup, Trevor (Director)	20 May 2010	0.35	20 May 2010 to 19 May 2020	322,286	-	-	-	322,286
Prof. Wong Lung Tak, Patrick (Director)	20 May 2010	0.35	20 May 2010 to 19 May 2020	322,286	-	-	-	322,286

**ii. New Share Option Scheme**

Details of grantees	Date of grant	Exercise price per share (HK\$)	Exercisable period	As at 1 January 2013	Number of share options			Outstanding as at 31 March 2013
					Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin Kwok Lam (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	32,405,063	-	-	-	32,405,063
	31 March 2012	0.58	31 March 2012 to 30 March 2017	1,296,552	-	-	-	1,296,552
Miss Law Po Yee (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	32,405,063	-	-	-	32,405,063
	31 March 2012	0.58	31 March 2012 to 30 March 2017	1,296,552	-	-	-	1,296,552
Mr. Lam Kwok Hing Wilfred (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	18,146,834	-	-	-	18,146,834
	31 March 2012	0.58	31 March 2012 to 30 March 2017	648,276	-	-	-	648,276
Mr. Chow Kai Weng (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	567,089	-	-	-	567,089
	31 March 2012	0.58	31 March 2012 to 30 March 2017	648,276	-	-	-	648,276
Miss Sin Ho Yee (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	12,962,025	-	-	-	12,962,025
	31 March 2012	0.58	31 March 2012 to 30 March 2017	486,207	-	-	-	486,207
Mr. Li Sin Hung Maxim (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	81,013	-	-	-	81,013
	31 March 2012	0.58	31 March 2012 to 30 March 2017	162,069	-	-	-	162,069
Mr. Chui Chi Yun, Robert (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	324,051	-	-	-	324,051
	31 March 2012	0.58	31 March 2012 to 30 March 2017	648,276	-	-	-	648,276
Mr. Chan Tin Lup, Trevor (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	324,051	-	-	-	324,051
	31 March 2012	0.58	31 March 2012 to 30 March 2017	648,276	-	-	-	648,276
Prof. Wong Lung Tak, Patrick (Director)	28 March 2011	0.79	28 March 2012 to 27 March 2021	324,051	-	-	-	324,051
	31 March 2012	0.58	31 March 2012 to 30 March 2017	648,276	-	-	-	648,276



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

As at 31 March 2013, 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**

<b>Name of shareholders</b>	<b>Capacity</b>	<b>No. of shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Tse Young Lai	Beneficial owner	805,068,000	19.85%

## **EMPLOYEE & REMUNERATION POLICY**

The director 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 remunerates its employees based as their performances, experience and prevailing industry practices. In addition to basic salaries and mandatory provident fund, staff benefits including medical coverage scheme and share options are offered.

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**

During the three months ended 31 March 2013, 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 financial statements, interim 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 three months ended 31 March 2013 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 contained in Appendix 15 of the GEM Listing Rules during the three months ended 31 March 2013.

The Company has prepared a corporate governance report in accordance with Rule 18.44(2) of the GEM Listing Rules attached to the 2012 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 three months ended 31 March 2013.

On behalf of the Board

**National Arts Holdings Limited**

**Law Po Yee**

*Vice Chairperson, Executive Director  
and Chief Executive Officer*

Hong Kong, 14 May 2013

## 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

#### 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

Prof. Wong Lung Tak Patrick

#### 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