



National Arts

National Arts Entertainment and Culture Group Limited

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

(Stock Code : 8228)



Third Quarterly Report 2013

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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 (formerly known as “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 nine months ended 30 September 2013, together with the comparative figures for the corresponding period in 2012 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue/Turnover	2	14,517	1,667	17,510	4,777
Other operating income	3	2,213	1,206	6,866	32,672
Cost of film production		(10,533)	(344)	(10,643)	(580)
Staff costs		(3,337)	(2,962)	(9,834)	(13,862)
Depreciation of property, plant and equipment		(536)	(490)	(1,409)	(1,529)
Amortisation of land lease prepayments		(562)	(561)	(1,684)	(1,696)
Other operating expenses		(560)	(3,729)	(9,133)	(10,855)
Finance costs	4	2,826	(3,699)	(1,454)	(10,189)
Change in fair value of financial assets at fair value through profit or loss		–	(31)	–	1,861
Profit/(loss) before taxation		4,028	(8,943)	(9,781)	599
Income tax expense	5	(163)	–	(483)	–
Profit/(loss) for the period		3,865	(8,943)	(10,264)	599

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other comprehensive income					
Exchange differences on translation of financial statements of foreign operations		5,539	1,173	5,912	1,105
Other comprehensive income for the period		5,539	1,173	5,912	1,105
Total comprehensive income for the period		9,404	(7,770)	(4,352)	1,704
(Loss)/profit for the period attributable to:					
Owners of the Company		7,523	(6,545)	(3,443)	(6,987)
Non-controlling interests		(829)	(2,398)	(6,821)	7,586
		3,865	(8,943)	(10,264)	599
Total comprehensive income for the period attributable to:					
Owners of the Company		4,694	(5,946)	(427)	(6,421)
Non-controlling interests		1,881	(1,824)	(3,925)	8,125
		9,404	(7,770)	(4,352)	1,704
Basic earnings/(loss) per share attributable to owners of the company during the period	6	HK0.12 cents	(Restated) HK(1.08) cents	HK(0.08) cents	(Restated) HK(0.54) cents
Diluted earnings/(loss) per share attributable to owners of the Company during the period	6	HK0.12 cents	(Restated) HK(1.08) cents	HK(0.08) cents	(Restated) HK(0.54) 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 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 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:

- (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 have been transferred to the buyer.

- (f) Rental income under operating leases is recognised over lease term. Contingent rentals are recognised in the accounting period which they are incurred.
- (g) Interest income is recognised on time-proportion basis using 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\$6,866,000, which decreased by HK\$25,806,000 due to the net off effect of (i) a gain on deregistration of subsidiaries amounted to HK\$1,520,000; (ii) an one-off construction management fee income of HK\$26,834,000 in 2012 arisen from the provision for management services of construction of Wong Tai Sin Temple in Xiqiao Mountain; and (iii) a gain on disposal of property, plant and equipment of HK\$3,928,000 in 2012.

4. FINANCE COSTS

	Three months ended 30 September 2013 HK\$'000		2012 HK\$'000		Nine months ended 30 September 2013 HK\$'000		2012 HK\$'000	
Finance lease charges	516		489		1,454		1,476	
Interests on bonds	2,924		–		4,132		–	
Interests on convertible bonds	3,410		2,580		4,819		7,540	
Interest on borrowings wholly repayable within five years	853		630		2,814		1,173	
	7,703		3,699		13,219		10,189	
Less: Amount capitalised on construction in progress	(10,529)		–		(11,765)		–	
	(2,826)		3,699		1,454		10,189	

5. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for the nine months ended 30 September 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. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic and diluted earnings/(loss) per share is based on the loss attributable to the owners of the Company of HK\$3,443,000 (2012: HK\$6,987,000) and the weighted average number of ordinary shares in issue during nine months period which calculated as follows:

	Nine months ended 30 September	
	2013 '000	2012 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	4,056,271	1,298,511
Effect of dilutive potential ordinary shares:		
Share options	–	52,281
Warrants	–	90,371
		<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	4,056,271	1,441,163
	<hr/>	<hr/>

The calculation of basic earnings/(loss) per share is based on the loss attributable to the owners of the Company of HK\$3,443,000 (2012: HK\$6,987,000) and the weighted average of approximately 4,056,271,000 (2012: approximately 1,298,511,000 as restated to reflect the rights issue of the Company in December 2012) ordinary shares in issue during the period.

Diluted earnings/(loss) per share for the loss attributable to the owners of the Company for the period ended 30 September 2013 was the same as basic earnings/(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 2012 is based on the loss attributable to the owners of the Company of HK\$6,987,000 and the weighted average of approximately 1,441,163,000 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 the payment of an interim dividend for the nine months ended 30 September 2013 (2012: Nil).

8. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company												Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Convertible bond equity reserve HK\$'000	Warrant reserves HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2012 (audited)	8,012	126,941	1,000	-	78,791	998	21,002	62,754	-	(10,142)	289,356	210,705	500,061
Shares issued upon exercise of bonus warrants	100	3,300	-	-	-	-	-	-	-	-	3,400	-	3,400
Employee share-based compensation	-	-	-	-	-	-	5,227	-	-	-	5,227	-	5,227
Transactions with owners	100	3,300	-	-	-	-	5,227	-	-	-	8,627	-	8,627
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(6,987)	(6,987)	7,586	599
Other comprehensive income													
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	566	-	-	-	-	566	539	1,105
Total comprehensive income for the period	-	-	-	-	-	566	-	-	-	(6,987)	(6,421)	8,125	1,704
At 30 September 2012 (unaudited)	8,112	130,241	1,000	-	78,791	1,564	26,229	62,754	-	(17,129)	291,562	218,830	510,392
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

9. SUBSEQUENT EVENT

Changes in ownership interests in subsidiaries without change of control

In March 2011, the Group has obtained 51% equity interests in each of Head Return Limited and Expand Pacific Limited (together referred as the “Target Companies”) and control over the operating and financial policies of Target Companies which became subsidiaries of the Group.

On 28 June 2013, an acquisition agreement was entered into between Glory Max Group Limited (“Glory Max”), a direct wholly owned subsidiary of the Company and Mr. Sin Kwok Lam (“Mr. Sin”). Pursuant to the acquisition agreement, Glory Max agreed to acquire the remaining 49% equity interest in each of Target Companies from Mr. Sin at an aggregate consideration of HK\$550,000,000, which is satisfied partly by cash of HK\$130,000,000 and partly by the Company’s issue of the convertible bonds of HK\$420,000,000 to Mr. Sin (the “Acquisition”).

The Acquisition was completed on 4 October 2013 and resulted in an increase in equity interests of 49% in the Target Companies, which constituted a change in the Group’s ownership interest in a subsidiary that does not result in a change of control. According to HKAS 27, the Acquisition is accounted for as an equity transaction. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid is recognized directly in equity attributable to owners of the Company.

Upon completion, the Company performed a comprehensive valuation to assets held under the Target Companies. Xiqiao National Arts Film Studio and National Arts Resort Hotel were revalued to RMB482,000,000 (equivalent to approximately HK\$611,675,000) and RMB513,000,000 (equivalent to approximately HK\$651,015,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Xiqiao National Arts Film Studio Project

Located in Foshan City, Guangdong province, the Group's Xiqiao National Arts Film Studio (formerly known as "Xiqiao Mountain Dream Work") project has a total of developed land area of 444,000 square metres. Drawing on the experience of world class studios, it is an unique studio which embodies world-wide success elements such as leisure resort hotels and film shooting base and incorporates tourism and recreational facilities. The principal components of the Xiqiao National Arts Film Studio are as follows:

- ***Film Shooting Base***

The film shooting base is the core project of the Xiqiao National Arts Film Studio project and it will equip with the most excellent and comprehensive ancillary facilities featuring most realistic and delicate details in South China. The film shooting base covers 374,000 square metres, including a lake of 120,000 square metres. Its Hong Kong Scene Area, covering an area of 33,350 square metres and reproducing Hong Kong's scene in the 1930s to 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 is partly opened to selected production crews including crews from Television Broadcasts Limited. Certain areas in the studio were made 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. Themed parties in the studio may be held in the future on a regular basis in order to promote the Xiqiao National Arts Film Studio.

All other shooting scenic spots will be completed in next year, including Shanghai Scene Area, Canton Scene Area, Ancient Mansions and Ming-Qing Dynasty Palace which are half completed and expected to be completed in the first half of 2014, Imperial Garden, Water Towns in Southern Yangtze River and Qing-Ming Festival Riverside Scene which will be completed at the end of 2014. The film shooting base can provide diversified and practical scenes for crews from the PRC and Hong Kong, and is expected to attract a lot of film production companies in the PRC and Hong Kong due to its supreme geographical location and good climate. Confirmations from certain film production companies have been received for the lease of Hong Kong Scene Area, Canton Scene Area and Ming-Qing Dynasty Palace. The studio will be ready for public visitors in early 2014 and it will create another source of income to the Group. In addition, with the completion of the remaining scenic spots, it is expected to attract more visitors and become a popular new attraction for short trips within Guangdong province of the PRC.

There is a hostel adjacent to the film shooting base. The construction of it was completed in mid-2012. It provides about 65 rooms with about 220 beds in total and is mainly for the accommodation of the production crews.

- ***Hotels***

There will be 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, a five star hotel, will be completed and commence operation by early 2014. Featuring a modern European design style and incorporating Greek colour elements and providing 350 suites, it will be one of the most luxurious and distinctive hotels in the region. The foundation works of National Arts Boutique Hotel in close proximity to it was commenced in July 2013, and the construction is expected to be completed at the end 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 National Arts Film Studio 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”), a 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. The cinema will boast 8 screens and a total of more than 730 seats, and is expected to commence operation in the first half of 2014 which will support more comprehensive development of the Group’s entertainment and culture business.

Artiste Management

Apart from 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 in 2012 from the second in 2011. With the completion of the scenic spots of the Xiqiao National Arts Film Studio, the Group believes that it will attract more visitors and become a popular new attraction for short trips within Guangdong province.

FINANCIAL REVIEW

Results

During the nine months ended 30 September 2013, the Group reported total turnover of approximately HK\$17.5 million, compared with approximately HK\$4.8 million for the corresponding period a year ago. The increase was mainly attributable to the box office receipts and licensing income from “Ip Man – The Final Fight”.

Other operating income for the period under review decreased by approximately HK\$25.8 million due to the net off effect of (i) a gain on deregistration of subsidiaries amounted to approximately HK\$1.5 million; (ii) an one-off construction management fee income during the previous period amounted to approximately HK\$26.8 million was from a local government company located in Foshan City, the PRC and (iii) gain on disposal of a property, plant and equipment during 2012 amounted to approximately HK\$3.9 million.

Staff costs for the period under review decreased to approximately HK\$9.8 million from approximately HK\$13.9 million in previous period. A decrease of approximately HK\$4.1 million in staff cost was mainly due to no share options expense was recognised during the period under review.

Finance costs for the period under review decreased to approximately HK\$1.5 million mainly due to capitalisation of borrowing costs during the period under review.

For the nine months ended 30 September 2013, the Group recorded a net loss of HK\$10.3 million as compared to net gain of the comparable period of approximately HK\$0.6 million. The record of loss for the nine months ended was mainly due to decrease of other operating income as mentioned above.

Issuance of bonds with unlisted warrants and convertible bonds

On 23 May 2013, the Company issued (i) bonds with principal amount of HK\$78,775,000 together with 78,775,000 unlisted warrants attached and issued for no additional payment, by the Company to the first registered holders of the bonds on the basis of one warrant for every HK\$1.00 in the principal amount of the bonds taken up; and (ii) convertible bonds with principal amount of HK\$92,000,000. Both bonds and convertible bonds are carried interest at 7.5% per annum and repayable two years after the date of issue.

Subsequent Events

Acquisition of the Target Companies

Other than disclosed in note 9 on the unaudited third quarterly report, further details of the Acquisition are set out in the announcement dated 9 July 2013 and the circular dated 14 September 2013.

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 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 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 30 September 2013 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 2013
			As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	
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	120,640,000	–	–	–	120,640,000
Total			124,255,233	–	–	–	124,255,233

New Share Option Scheme

As at 30 September 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 30 September 2013 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 2013
			As at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	
Directors	0.79	28 March 2011	97,539,240	–	–	–	97,539,240
Directors	0.58	31 March 2012	6,482,760	–	–	–	6,482,760
Total			104,022,000	–	–	–	104,022,000

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

As at 30 September 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	Total	Approximate percentage of the issued share capital of the Company
(a) The Company (Ordinary shares of HK\$0.01 each)					
Mr. Sin (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 ("Miss Law") (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	Beneficial owner	49	–	49	49%
Miss Law (Note 2)	Interest of spouse	49	–	49	49%
(c) Expand Pacific Limited (Ordinary shares of HK\$1.00 each)					
Mr. Sin	Beneficial owner	49	–	49	49%
Miss Law (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, 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	As at 1 January 2013	Number of share options			Outstanding as at 30 September 2013
					Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin (Director)	29 September 2010	0.30	29 September 2010 to 2 September 2020	76,800,000	–	–	–	76,800,000
Miss Law (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 30 September 2013
					Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin (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 (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 30 September 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

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

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

During the nine months ended 30 September 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 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 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 (the "Code") contained in Appendix 15 of the GEM Listing Rules during the nine months ended 30 September 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 nine months ended 30 September 2013.

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, 28 November 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 Malt 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