



National Arts Entertainment and Culture Group Limited
國藝娛樂文化集團有限公司

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

Stock code : 8228



2014
Interim Report



Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock 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 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 Entertainment and Culture Group 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 Stock 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

	<i>Page</i>
Unaudited consolidated statement of comprehensive income	2
Unaudited consolidated statement of financial position	3
Unaudited consolidated statement of changes in equity	4
Unaudited condensed consolidated cash flow statement	5
Notes on the unaudited interim report	6
Management discussion and analysis	21
Additional information	24
Corporate information	30

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

Unaudited Consolidated Statement of Comprehensive Income

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue/Turnover	2	1,953	1,218	3,843	2,993
Other operating income	2	159	2,963	167	4,653
Cost of film production		(667)	–	(667)	(110)
Staff costs		(5,990)	(3,146)	(10,156)	(6,497)
Depreciation of property, plant and equipment		(594)	(483)	(1,169)	(873)
Amortisation of land lease prepayments		(561)	(561)	(1,122)	(1,122)
Other operating expenses		(9,946)	(4,129)	(16,677)	(8,573)
Finance costs	4	(15,371)	(3,404)	(35,752)	(4,280)
Loss before income tax	5	(31,017)	(7,542)	(61,533)	(13,809)
Income tax expense	6	1	(161)	1	(320)
Loss for the period		(31,016)	(7,703)	(61,532)	(14,129)
Other comprehensive income					
Exchange differences on translation of financial statements of foreign operations		(3,650)	(893)	(9,808)	373
Other comprehensive income for the period		(3,650)	(893)	(9,808)	373
Total comprehensive income for the period		(34,666)	(8,596)	(71,340)	(13,756)
Loss for the period attributable to:					
Owners of the Company		(31,016)	(3,500)	(61,532)	(8,137)
Non-controlling interests		–	(4,203)	–	(5,992)
		(31,016)	(7,703)	(61,532)	(14,129)
Total comprehensive income for the period attributable to:					
Owners of the Company		(34,666)	(7,429)	(71,340)	(7,950)
Non-controlling interests		–	(1,167)	–	(5,806)
		(34,666)	(8,596)	(71,340)	(13,756)
Basic loss per share attributable to owners of the Company during the period	7	HK(0.75) cents	HK(0.09) cents	HK(1.49) cents	HK(0.20) cents
Diluted loss per share attributable to owners of the Company during the period	7	HK(0.75) cents	HK(0.09) cents	HK(1.49) cents	HK(0.20) cents

Unaudited Consolidated Statement of Financial Position

	Note	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	805,819	663,539
Investment properties	10	735,719	676,576
Land lease payments	11	81,385	82,507
Investment in joint venture		8,552	8,552
Other receivables		98,490	100,947
		1,729,965	1,532,121
Current assets			
Film production in progress		11,994	8,005
Film right		6,721	7,388
Trade receivables	12	3,629	3,683
Inventories		1,260	1,164
Prepayments, deposits and other receivables		14,990	11,685
Cash and cash equivalents		1,872	8,007
		40,466	39,932
Current liabilities			
Trade payables	13	56	45
Other payables and accruals		219,760	216,454
Loans from a director	14	19,304	–
Loans from a related company	14	12,400	12,400
Borrowings		265,588	45,000
Finance lease obligation		–	1,396
Provision for income tax		2,951	2,951
		520,059	278,246
Net current liabilities		(479,593)	(238,314)
Total assets less current liabilities		1,250,372	1,293,807
Non-current liabilities			
Bonds	15	73,928	74,182
Convertible bonds	16	393,777	367,978
Finance lease obligation		18,862	16,502
Deferred tax liabilities		125,727	125,727
		612,294	584,389
Net assets		638,078	709,418
EQUITY			
Equity attributable to owners of the Company			
Share capital		41,262	41,262
Reserves		596,816	668,156
		638,078	709,418
Non-controlling interests		–	–
Total equity		638,078	709,418

Unaudited Consolidated Statement of Changes in Equity

Equity attributable to the owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Properties		Share option reserve HK\$'000	Convertible bond equity reserve HK\$'000	Retained earnings		Non-controlling interests HK\$'000	Total equity HK\$'000	
						revaluation reserve HK\$'000	Translation reserve HK\$'000			Warrant reserves HK\$'000	/Accumulated losses HK\$'000			
At 1 January 2013 (Audited)	40,562	412,074	1,000	-	78,791	-	1,777	26,229	-	-	11,061	571,494	222,321	793,815
Issue of convertible bonds	-	-	-	-	-	-	-	-	7,492	-	-	7,492	-	7,492
Issue of bonds	-	-	-	-	-	-	-	-	-	6,412	-	6,412	-	6,412
Capital contribution from a shareholder	-	-	-	84,424	-	-	-	-	-	-	-	84,424	-	84,424
Transactions with owners	-	-	-	84,424	-	-	-	-	7,492	6,412	-	98,328	-	98,328
Loss for the period	-	-	-	-	-	-	-	-	-	-	(8,137)	(8,137)	(5,992)	(14,129)
Other comprehensive income														
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	187	-	-	-	-	187	186	373
Total comprehensive income for the period	-	-	-	-	-	-	187	-	-	-	(8,137)	(7,950)	(5,806)	(13,756)
At 30 June 2013 (Unaudited)	40,562	412,074	1,000	84,424	78,791	-	1,964	26,229	7,492	6,412	2,924	661,872	216,515	878,387
At 1 January 2014 (Audited)	41,262	419,132	1,000	-	78,791	254,556	8,219	26,229	114,466	6,399	(240,636)	709,418	-	709,418
Issue of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital contribution from a shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	-	-	(61,532)	(61,532)	-	(61,532)
Other comprehensive income														
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(9,808)	-	-	-	-	(9,808)	-	(9,808)
Total comprehensive income for the period	-	-	-	-	-	-	(9,808)	-	-	-	-	(71,340)	-	(71,340)
At 30 June 2014 (Unaudited)	41,262	419,132	1,000	-	78,791	254,556	(1,589)	26,229	114,466	6,399	(302,168)	638,078	-	638,078

Unaudited Condensed Consolidated Cash Flow Statement

Six months ended 30 June

	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Net cash outflow from operating activities	(26,886)	(72,284)
Net cash outflow from investing activities	(200,480)	(75,665)
Net cash inflow from financing activities	221,268	260,068
(Decrease)/increase in cash and cash equivalents	(6,098)	112,119
Cash and cash equivalents at the beginning of the period	8,007	157,517
Effect of foreign exchange rate changes	(37)	37
Cash and cash equivalents at the end of the period	1,872	269,673

Note on the Unaudited Interim 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 has been changed to Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal place of business in Hong Kong at Unit B, 2/F Jone Mult Factory 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 including all applicable individual Hong Kong Financial Reporting Standard, Hong Kong Accounting Standard ("HKAS"), including compliance with HKAS 34, Interim financial reporting, 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 Stock Exchange (the "GEM Listing Rules").

The unaudited consolidated results for the six months ended 30 June 2014 have not been audited by the Company's auditors, but have been reviewed by the audit committee of the Company.

The accounting policies and basis of preparation adopted for the preparation of the financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2013.

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

2. REVENUE/TURNOVER AND OTHER OPERATING INCOME

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

Revenue/Turnover is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably on the following bases:

Income derived from the production and distribution of films, when the production is completed and the film is released, the film has been distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box receipts.

Income derived from the licensing of the distribution and broadcasting rights over films, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers.

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

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

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

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

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

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

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

3. SEGMENTS INFORMATION

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments. No operating segments have been aggregated to form the following reportable segments.

Films production and distribution and artiste management	– Production and distribution of films and provision of management services to artistes
Film studio operation	– Operation of film studio
Hotel operation	– Operation of hotel

Segment information about the Group's reportable segments is presented below.

3. SEGMENTS INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue/turnover and results by reportable segments:

	Films production and distribution and artiste management	Film studio operation	Hotel operation	Inter- segment elimination	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2014 (Unaudited)					
Revenue from external customers	1,599	1,913	827	—	4,339
Inter-segment revenue	—	—	55	(55)	—
Reportable segment revenue	<u>1,599</u>	<u>1,913</u>	<u>882</u>	<u>(55)</u>	<u>4,339</u>
Reportable segment loss	<u>(1,229)</u>	<u>(8,823)</u>	<u>(6,829)</u>	<u>—</u>	<u>(16,881)</u>
Other operating income					167
Unallocated corporate expenses					(10,032)
Finance costs					<u>(34,787)</u>
Loss before income tax					<u>(61,533)</u>
Six months ended 30 June 2013 (Unaudited)					
Revenue from external customers	1,073	1,867	53	—	2,993
Inter-segment revenue	—	10	148	(158)	—
Reportable segment revenue	<u>1,073</u>	<u>1,877</u>	<u>201</u>	<u>(158)</u>	<u>2,993</u>
Reportable segment loss	<u>(479)</u>	<u>(3,600)</u>	<u>(4,423)</u>	<u>—</u>	<u>(8,502)</u>
Other operating income					3,399
Gain on deregistration of subsidiaries					1,254
Unallocated corporate expenses					(6,634)
Finance costs					<u>(3,326)</u>
Loss before income tax					<u>(13,809)</u>

Revenue reported above represents revenue generated from external customers and inter-segment sales during the period.

3. SEGMENTS INFORMATION (Continued)

Segment revenues and results (Continued)

Segment profit/(loss) represents the profit/(loss) incurred by each segment without allocation of central administration costs including directors' salaries, gain on deregistration of subsidiaries, other operating income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Films production and distribution and artiste management HK\$'000	Film studio operation HK\$'000	Hotel operation HK\$'000	Total HK\$'000
At 30 June 2014 (Unaudited)				
Reportable segment assets	<u>23,867</u>	<u>795,489</u>	<u>931,255</u>	<u>1,750,610</u>
Property, plant and equipment				17,999
Cash and cash equivalents				1,000
Unallocated corporate assets				<u>821</u>
Consolidated assets				<u>1,770,431</u>
Reportable segment liabilities	<u>(647)</u>	<u>(111,554)</u>	<u>(124,818)</u>	<u>(237,019)</u>
Loans from a related company				(12,400)
Loans from a director				(19,304)
Borrowings				(265,588)
Provision for income tax				(2,951)
Bonds				(73,928)
Convertible bonds				(393,777)
Deferred tax liabilities				(125,727)
Unallocated corporate liabilities				<u>(1,659)</u>
Consolidated liabilities				<u>(1,132,353)</u>
At 31 December 2013 (Audited)				
Reportable segment assets	<u>33,372</u>	<u>784,949</u>	<u>732,391</u>	1,550,712
Property, plant and equipment				18,457
Cash and cash equivalent				1,557
Unallocated corporate assets				<u>1,327</u>
Consolidated assets				<u>1,572,053</u>
Reportable segment liabilities	<u>(1,154)</u>	<u>(106,222)</u>	<u>(123,994)</u>	(231,370)
Loans from a related company				(12,400)
Borrowings				(45,000)
Provision for income tax				(2,951)
Bonds				(74,182)
Convertible bonds				(367,978)
Deferred tax liabilities				(125,727)
Unallocated corporate liabilities				<u>(3,027)</u>
Consolidated liabilities				<u>(862,635)</u>

3. SEGMENTS INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

Other segment information

	Films production and distribution and artiste management	Film studio operation	Hotel operation	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2014 (Unaudited)				
Depreciation of property, plant and equipment	29	217	465	711
Amortisation of land lease prepayments	–	–	1,122	1,122
Additions to non-current assets	–	38,081	129,435	167,516
At 30 June 2013 (Unaudited)				
Depreciation of property, plant and equipment	29	160	324	513
Amortisation of land lease prepayments	–	–	1,122	1,122
Additions to non-current assets	–	58,321	84,565	142,886

Geographical information

All the Group's revenue and non-current assets are principally attributable to the PRC including Hong Kong (being the place of domicile of the major companies comprising the Group).

The geographical location of customers is based on the location at which the contracts are negotiated and entered with the customers. The total revenue from external customers is mainly sourced from the PRC.

4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Finance lease charges	487	468	965	938
Interest on bonds	2,864	1,208	5,655	1,208
Interest on convertible bonds	16,091	1,409	32,096	1,409
Interest on borrowings wholly repayable within five years	4,653	953	6,418	1,961
	24,095	4,308	45,134	5,516
Less: Amount capitalised on construction in progress	(8,724)	(634)	(9,382)	(1,236)
	15,371	3,404	35,752	4,280

The weighted average capitalisation rate of borrowings was 7.24% (2013: 2.91%) per annum for the period.

5. LOSS BEFORE INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss before income tax has been arrived at after charging/(crediting)				
Gain on disposals of property, plant and equipment	-	-	-	-
Gain on deregistration of subsidiaries	-	(1,254)	-	(1,254)
Construction management fee income	-	-	-	-
Costs of inventories recognised as expense	62	39	229	215
Minimum lease payments under operating leases in respect of rented premises	730	955	1,461	1,952
Staff costs, including directors' remuneration:				
Salaries and allowances	5,990	3,071	10,156	6,354
Equity settled share-based payment expenses	-	-	-	-
Retirement benefit costs	-	75	-	143
	5,990	3,146	10,156	6,497

6. INCOME TAX EXPENSE

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

The PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred losses for taxation purposes for both periods. The PRC income tax charged during the period under review (2013: 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.

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

The calculation of basic and diluted loss per share is based on the loss attributable to the owners of the Company of HK\$61,532,000 (2013: HK\$8,137,000) and the weighted average number of ordinary shares in issue during six months period which calculated as follows:

	Six months ended 30 June	
	2014 '000	2013 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	4,126,271	4,056,271
Effect of dilutive potential ordinary shares:		
Share options	-	-
Convertible bonds	-	-
Warrants	-	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	4,126,271	4,056,271

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of HK\$61,532,000 (2013: HK\$8,137,000) and the weighted average of approximately 412,627,000 (2013: approximately 4,056,271,000) ordinary shares in issue during the period.

Diluted loss per share for the loss attributable to the owners of the Company for the period ended 30 June 2014 was the same as basic loss per share as the impact of the exercise of the share options, warrants and convertible bonds is anti-dilutive.

8. DIVIDEND

The Board does not recommend payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group were:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Net book value, at 1 January	663,539	112,920
Additions:		
Property under construction	149,798	196,051
Other property, plant and equipment	4,285	4,508
Acquisition of subsidiary	-	11,779
Surplus on valuation	-	339,409
Disposal	(4)	-
Depreciation	(1,169)	(1,974)
Exchange realignment	(10,630)	847
Closing net book value	805,819	663,539

10. INVESTMENT PROPERTIES

The movements of investment properties of the Group were:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
At 1 January	676,576	513,426
Additions	59,143	134,932
Change in fair value	-	26,173
Exchange realignment	-	2,045
Closing net book value	735,719	676,576

The Board is of the opinion that, had investment properties been carried at their fair value, the amounts, together with the prepaid land lease payments portion, would not be less than the stated carrying amount as at 30 June 2014. The Board intends that those properties are held in the view as to earn rentals and/or for capital appreciation.

11. LAND LEASE PREPAYMENTS

The movements of land lease prepayments of the Group were:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Net book value, at 1 January	82,507	84,752
Accumulated amortisation	(1,122)	(2,245)
Closing net book value	81,385	82,507

The land lease prepayments represented the premium recognised when acquiring the land interests in the PRC by operating lease arrangement with the local authority.

12. TRADE RECEIVABLES

The Group generally allows a credit period from 30 to 90 days to its trade customers. The ageing analysis of trade receivables, net allowance for bad and doubtful debts as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 60 days	818	3,228
61 to 90 days	46	73
91 to 180 days	2,442	382
Over 180 days	323	–
	3,629	3,683

Included in the balances are debtors with carrying amounts of HK\$2,765,000 (31 December 2013: HK\$382,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Trade receivables that are past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment loss is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The Directors considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

13. TRADE PAYABLES

The Group has granted by its suppliers' credit periods from 30 to 60 days. The ageing analysis of trade payables is stated as follow:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0 to 30 days	-	-
31 to 60 days	13	-
61 to 90 days	-	3
91 to 180 days	14	1
Over 180 days	29	41
	56	45

14. LOANS FROM A DIRECTOR/LOANS FROM A RELATED COMPANY

Loans from a director was unsecured, with the interest rate in between 9%-10% and repayable within one year.

Loans from a related company represented short-term interest bearing loans granted to National Arts Entertainment Limited ("NA Entertainment") by First Credit Limited, of which Mr. Sin Kwok Lam ("Mr. Sin"), a non-executive director of the Company, has significant influence. The loan as at 30 June 2014 is interest-bearing at 10% per annum, repayable within two year and is secured by a corporate guarantee granted by the Company.

15. BONDS

On 23 May 2013, the Company issued bonds with principal amount of HK\$78,775,000 for a consideration of HK\$78,775,000. 78,775,000 unlisted warrants were 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.

The principal terms of the bonds and the unlisted warrants were as follows:

	Bonds
Principal amount	HK\$78,775,000
Maturity date	23 May 2015
Coupon rate	7.5% per annum
	Unlisted warrants
Amounts of warrants to be issued	HK\$78,775,000
Subscription period	23 May 2013 to 23 May 2015
Conversion price	HK\$0.115 per share

15. BONDS (Continued)

Exercise in full of the outstanding warrants would result in the issue of 685,000,000 additional shares with an aggregate subscription amount of HK\$78,775,000.

The carrying amount of the bonds was denominated in HK\$.

The initial recognition of the bonds are set out as below:

	30 June 2013
	HK\$'000
	(Unaudited)
Nominal value at date of issue	78,775
Equity component	(6,400)
Transaction cost paid	<u>(4,976)</u>
Carrying amount at date of issue	67,387
Interest recognised during the period (note 4)	1,208
Interest paid for the period	<u>(5,908)</u>
	<u>73,928</u>

On initial recognition, the fair value of the Bonds was calculated by discounting future repayments at an estimated discount rate of 12.68%. The transaction costs incurred for issuing the Bonds and Warrants were allocated in proportion to the allocation of the gross proceeds in the amounts of approximately HK\$4,545,000 and HK\$432,000 respectively. Subsequently, interest expense on the Bonds was calculated using the effective interest method by applying an effective interest rate of 16.57% after taking account of transaction costs. The proceeds allocated to the Warrants and recognised in the warrant reserve in equity were approximately HK\$6,831,000.

16. CONVERTIBLE BONDS

CB1

On 23 May 2013, the Company issued convertible bonds with principal amount of HK\$92,000,000. The principal terms of the convertible bonds were as follows:

Principal amount	HK\$92,000,000
Maturity date	23 May 2015
Coupon rate	7.5% per annum
Subscription period	23 May 2013 to 23 May 2015
Conversion price	HK\$0.115 per share

16. CONVERTIBLE BONDS (Continued)

CB2

On 2 October 2013, the Company issued convertible bonds with principal amount of HK\$420,000,000. The principal terms of the convertible bonds were as follows:

Principal amount	HK\$420,000,000
Maturity date	2 October 2016
Coupon rate	4% per annum
Subscription period	2 October 2013 to 2 October 2016
Conversion price	HK\$0.112 per share

The convertible bonds would be redeemed by the Company at its principal amount together with accrued interest on the maturity dates. The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity. The liability component is subsequently measured at amortised cost.

The carrying amount of the convertible bonds was denominated in HK\$.

The movement of the liability components of the convertible bonds recognised in the statement of financial position are as follows:

	CB1	CB2	Total
	HK\$'000	HK\$'000	HK\$'000
Nominal value at date of issue	92,000	430,196	522,196
Equity component	(7,478)	(120,540)	(128,018)
Transaction cost allocated to the liability component	(5,770)	–	(5,770)
Interest recognised during the period	14,502	38,116	52,618
Interest paid for the period	(6,296)	–	(6,296)
Converted into ordinary shares	(7,365)	–	(7,365)
Early redemption during the year	–	(33,588)	(33,588)
Liability components at 30 June 2014	79,593	314,184	393,777

16. CONVERTIBLE BONDS (Continued)

CB1

On initial recognition, the fair value of the liability component of the CB1 was calculated using future repayments discounted at an estimated discount rate of 12.68%. The transaction costs incurred for the issuance of the CB1 were allocated into the liability component and the equity component of approximately HK\$5,270,000 and HK\$500,000 respectively in proportion to the allocation of the gross proceeds. Subsequently, interest expense on the CB1 is calculated using the effective interest method by applying effective interest rate of 16.53%. On initial recognition, the amount of equity component of CB1 was approximately HK\$7,978,000.

In October and November 2013, CB1 with aggregate principal amounts of HK\$8,050,000 were converted into 70,000,000 ordinary shares of the Company in total at a conversion price of HK\$0.115 each. As at 30 June 2014, the outstanding principal amount of the CB1 is HK\$83,950,000.

CB2

On initial recognition, the fair value of the liability component of the CB2 was calculated using future repayments discounted at an estimated discount rate of 15.63%. Subsequently, interest expense on the CB2 is calculated using the effective interest method by applying effective interest rate of 16.47%. On initial recognition, the amount of equity component of CB2 was approximately HK\$120,540,000.

In October and November 2013, the Company has early redeemed the CB2 with aggregate principal amounts of approximately HK\$44,940,000 by cash at approximately HK\$45,091,000 (being the principal amount of approximately HK\$44,940,000 and accrued interests of approximately HK\$151,000). A gain on redemption of the CB2 of approximately HK\$1,395,000, which represented the difference between the redemption price allocated to liability component of the CB2 and the carrying amount of the liability component of the CB2 at the redemption date, has been credited to the consolidated statement of comprehensive income for the year ended 31 December 2013. The CB2 was valued at the redemption date by Roma, an independent qualified professional valuer. The fair values of the liability component and the equity component of the redeemed CB2 at redemption date were derived by means of the same method used at issuance date.

17. COMMITMENTS

(a) Commitments under operating lease

The Group had the following future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Not later than one year	3,727	2,721
In the second to fifth year inclusive	13,201	8,741
Over five years	103,799	62,461
	120,727	73,923

(b) Capital commitments

The Group had the following capital commitments:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contracted but not provided for:		
Construction of properties (note (a))	122,370	32,909
Formation of a jointly-controlled entity (note (b))	2,400	2,400
	124,770	35,309
Authorised but not constructed for:		
Construction of properties (note (a))	-	158,752

17. COMMITMENTS *(Continued)*

(b) Capital commitments *(Continued)*

Notes:

- (a) Capital commitment for construction in properties related to capital commitment for construction of film studio and hotel in Foshan, the PRC. The authorised amount was approved by the directors of the Company according to the land lease agreements signed between the Group and the local authority in Foshan, the PRC, in relation to the leasing of lands for development of tourism and related entertainment business and hotel operations.
- (b) On 17 December 2012, one of the subsidiaries of the Company, National Arts Films Production Limited (“NA Films”), entered into a joint venture agreement (the “JV agreement”) with an independent third party to establish a jointly controlled entity (the “JCE”) for the development of cinema business. According to the JV agreement, the total registered capital of the JCE to be injected will be HK\$19,000,000 in which 60% will be held by NA Films. During 2013, NA Films has injected HK\$9,000,000 to the JCE and the remaining HK\$2,400,000 is thus shown as capital commitment of the Group as at 30 June 2013.

18. RELATED PARTY TRANSACTION

During the period of the six months ended 30 June 2014, the Group paid interest of HK\$399,001 (2013: HK\$600,000) to a related company.

Management Discussion and Analysis

FINANCIAL REVIEW

Results

During the period under review, the Group reported a turnover of approximately HK\$3.8 million, increase of 28.4% 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 was amounted to HK\$167,000 composited of i) Staff Restaurant in amounted HK\$105,000 ii) Sponsor Income HK\$62,000.

Staff costs for the period under review increased to approximately HK\$10.15 million from approximately HK\$6.4 million in previous period. An increased of approximately HK\$3.6 million in staff costs was mainly due to the hotel in PRC is about to operate starting from June 2014.

Finance costs for the period under review increased approximately HK\$31.47 million as increase interest on newly loan was incurred during the period under review.

For the six months ended 30 June 2013, the Group recorded a net loss of HK\$61.5 million as compared to net loss of the comparable period of approximately HK\$14 million. The record of loss for the six months ended was mainly due to the increase of operating expense as mentioned above.

BUSINESS REVIEW

National Arts Cinema

National Arts Cinema ("NA Cinema"), with 60% equity interest held by the Group in joint venture, had its grand opening on 28th May 2014. NA Cinema has adopted an innovative operation model, such as online ticket selling and membership program. The State Administration of Radio, Film and Television (國家廣播電影電視總局) announced new regulations on the film industry on 31st May 2014, which includes financial subsidies and tax incentives. We expect our cinema business to benefit from the vigorous support of the government towards the development of film industry.

Xiqiao National Arts Film Shooting Studio

Xiqiao National Arts Film Shooting Studio, which is one of our area consists of different movie scenes that satisfy the huge demand for movies and TV filming. The Film Shooting Studio was built in an exceptional and comprehensive style, reflecting the delicate charm of the unique culture in South China.

The Shooting Studio is now partially opened for film production, and it is scheduled to be opened for tourism in October 2014. We believe that the Film Studio will become one of the most important sources of income and bring substantial gain to the Group as enormous synergistic effect will be created and more tourists will be attracted.

National Arts Resort Hotel

Located next to the shooting Studio, NA Resort Hotel and, in addition to ordinary facilities such as fabulous luxury accommodation with 350 rooms and suites, it has unique and innovative games for our hotel guests which included archery, restaurants, bars, and spa etc. It will definitely give the tourists an enjoyable and memorable stay.

Wedding Photography

The Group reached an agreement with a renowned domestic wedding photography chain group last year. A one-stop wedding photography service will commence operation by the end of this year. The wedding photography company assured that there will be at least 28,800 couples taking wedding photos in the scenic spots per year. Right now, before our grand opening, we already received average more than 100 couples per day.

Liquidity and Financial Resources

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Current assets	40,466	39,932
Current liabilities	520,059	278,246
Current ratio	7.8%	14.3%

Current ratio as at 30 June 2014 was 7.8% (31 December 2013: 14.3%). As at 30 June 2014, the Group's total cash and cash equivalents amounted to approximately HK\$1.87 million (31 December 2013: HK\$8 million).

Dividend

The directors do not recommend payment of an interim dividend for the period ended 30 June 2014 (2013: Nil).

Capital Structure and Gearing Ratio

The shares of the Company were listed on the GEM of the Stock Exchange on 17 October 2002. The capital of the Company comprises only ordinary shares. As at 30 June 2014, 4,126,270,095 ordinary shares were issued and fully paid.

	30 June 2014		31 December 2013	
	Amount (Unaudited) HK\$'000	Relative%	Amount (Audited) HK\$'000	Relative%
Loans from a director	19,304	1.4%	—	—
Loans from a related company	12,400	0.9%	12,400	1%
Borrowings	265,588	18.7%	45,000	3.7%
Bonds	73,928	5.1%	74,182	61%
Convertible bonds	393,777	27.7%	367,978	30%
Finance lease liabilities	18,862	1.3%	17,898	1.5%
Total borrowings	783,859	55%	517,458	42.2%
Equity	638,078	45%	709,418	51.8%
Total capital employed	1,421,937	100.0%	1,226,876	100.0%

The Group's gearing ratio was approximately 55% as at 30 June 2014 (31 December 2013: 42.2%). The increase in the gearing ratio was due to the issue of bonds and convertible bonds on 23 May 2013 and 2 October 2013. If the bonds (liabilities component) and convertible bonds (liability component) amounted to HK\$73.2 million and HK\$393.8 million respectively, were to be excluded, the underlying gearing ratio was 33.1% (2013: 9.6%) only.

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.

As part of the consideration of the acquisition of remaining equity interests in Head Return Limited (“HRL”) and Expand Pacific Limited (“EPL”), the Company issued convertible bonds with an aggregate principal amount of HK\$420,000,000 on 2 October 2013. The convertible bonds has a maturity of 3 years from the date of issue and bears coupon interest at 4% per annum, accrued daily and payable annually in arrears.

Foreign Currency Exposure

The Group's reporting currency is in Hong Kong dollars. During the reporting period for the six months ended 30 June 2014, most of the transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi. During the period under review, since the Group had both Hong Kong dollars and Renminbi receipts and payments, the net Renminbi exposure was not significant. The Board considers that the Group's exposure to foreign exchange risk was not significant; therefore, no hedging transaction was made during the period under review.

Commitments

Details of the Group's commitments are set out in note 17.

Material Acquisitions and Disposals

Other than disclosed in paragraph of Subsequent Events, the Group did not acquire or dispose of any material subsidiaries and affiliated companies during the period under review.

Future Plans for Substantial Investments or Capital Assets

Other than disclosed in paragraph of Subsequent Events, the Group did not have any plan for substantial investments or capital assets.

Subsequent Events

On 5 August 2014, the company has raised a total of HK\$465M by way of rights issue. This represented a good opportunity for the company to raise additional capital to enhance its capital base and broaden its shareholders base.

Contingent Liabilities

At 30 June 2014, the Company had corporate guarantee of HK\$12,400,000 (31 December 2013: HK\$12,400,000) given to a related company to secure loans to NA Entertainment. No provision for the Company's obligation under the guarantee contract has been made as the directors considered that the fair value of the leasehold land and building being pledged to bank exceeds the carrying amount of the loan and it is not probable that a claim will be made against the Company under the guarantee contract.

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 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 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 30 June 2014, 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 June 2014 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 30 June 2014
			As at 1 January 2014	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 June 2014, 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 June 2014 are set out as follows:

Category of participants	Exercise price per share (HK\$)	Date of grant	Number of share options				Outstanding as at 30 June 2014
			As at 1 January 2014	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 June 2014, the interests and short positions of the directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange, were as follows:

1. Long Positions in the shares of the Company

Name of Directors	Capacity/ Nature of interest	Number of shares	Interest in controlled corporation	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	23.66%
	Interest of spouse	33,360,000	-	33,360,000	0.81%
Miss Law Po Yee (Note 1)	Beneficial owner	33,360,000	-	33,360,000	0.81%
	Interest of spouse	976,390,000	-	976,390,000	23.66%

Note 1: Mr. Sin and Miss Law beneficially owned 1,009,750,000 Shares, representing approximately 24.47% 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 was interested.

Note 2: Miss Law is the spouse of Mr. Sin and is deemed to be interested in the Shares in which Mr. Sin is deemed or taken to be interested for the purpose of the SFO.

2. Rights to acquire shares in the Company
i. Post-IPO Share Option Scheme

Details of grantees	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options				Outstanding as at 30 June 2014
				As at 1 January 2014	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) (Note 1)	13 May 2010 29 September 2010	0.38 0.30	13 May 2010 to 12 May 2020 29 September 2010 to 2 September 2020	2,407,894 5,200,000	- -	- -	- -	2,407,894 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

Notes:

- Mr. Lam resigned as independent non-executive Director with effect from 11 July 2014.

ii. New Share Option Scheme

Details of grantees	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options				Outstanding as at 30 June 2014
				As at 1 January 2014	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) (Note 1)	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

Notes:

1. Mr. Lam resigned as independent non-executive Director with effect from 11 July 2014.

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

As at 30 June 2014, the persons or corporations, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO or had otherwise been notified to the Company were as follows:

1. Long Positions in the shares of the Company

Name of shareholders	Capacity	No. of shares held	Approximate percentage of the issued share capital of the Company
Tse Young Lai	Beneficial owner	805,068,000	19.51%

EMPLOYEE AND 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 retention 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 six months ended 30 June 2014, 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

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 six months ended 30 June 2014 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results has complied with applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices and procedures with an aim to maximising 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 six months ended 30 June 2014.

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 June 2014.

By Order of the Board

National Arts Entertainment and Culture Group Limited

Law Po Yee

*Vice Chairperson, Executive Director
and Chief Executive Officer*

Hong Kong, 13 August 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Sin Kwok Lam

Vice Chairperson, Executive Director and Chief Executive Officer

Miss Law Po Yee

Executive Directors

Mr. Chow Kai Weng

Miss Sin Ho Yee

Non-executive Director

Mr. Li Sin Hung Maxim

Independent Non-executive Directors

Mr. Chan Tin Lup Trevor

Mr. Chui Chi Yun Robert

Prof. Wong Lung Tak Patrick

Mr. Li Kit Chee

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