
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **National Arts Holdings Limited** (the “Company”), you should at once hand this Prospectus and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Prospectus.

Dealings in the securities of the Company and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “Documents registered with the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of each of the Prospectus Documents has been delivered with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda. The Securities and Futures Commission, the Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any of the Prospectus Documents.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, 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 Prospectus.



National Arts

NATIONAL ARTS HOLDINGS LIMITED

國藝控股有限公司*

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

(Stock Code: 8228)

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter of the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

The Latest Time For Acceptance for the Rights Shares in 4:00 p.m. on Wednesday, 19 December 2012. The procedures for acceptance and payment or transfer of the Rights Shares is set out on pages 12 to 13 of this Prospectus.

It should be noted that dealings in the Rights Shares in the nil-paid form will take place from Friday, 7 December 2012 to Friday, 14 December 2012 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any persons dealing in the nil-paid Rights Shares during the period from Friday, 7 December 2012 to Friday, 14 December 2012 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to Latest Time For Termination to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed “Termination of the Underwriting Agreement” on page 6 of this Prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 15 to 16 of this Prospectus being fulfilled or waived (as applicable). In the event that such conditions have not been satisfied and/or waived in whole or in part by the Underwriter on or before Thursday, 20 December 2012, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

This Prospectus will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of 7 days from the date of its posting and on the website of the Company at <http://www.nationalarts.hk>.

5 December 2012

* For identification purpose only

CHARACTERISTICS OF GEM

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Expected Timetable	iii
Definitions	1
Termination of the Underwriting Agreement	6
Letter from the Board	7
Appendix I – Financial information on the Group	23
Appendix II – Unaudited pro forma financial information on the Group	29
Appendix III – General information	34

EXPECTED TIMETABLE

Set out below is an indicative timetable for the implementation of the Rights Issue:

Event	2012 (Hong Kong time)
Despatch of the Prospectus Documents.	Wednesday, 5 December 2012
Effective date of the new board lot size from 5,000 Shares to 20,000 Shares	9:00 a.m. on Wednesday, 5 December 2012
Designated brokers starts to stand in the market to provide matching services for sale and purchase of odd lots of Shares	9:00 a.m. on Wednesday, 5 December 2012
First day of dealings in nil-paid Rights Shares	Friday, 7 December 2012
Latest time for splitting in nil-paid Rights Shares	4:30 p.m. on Tuesday, 11 December 2012
Last day of dealing in nil-paid Rights Shares	Friday, 14 December 2012
Latest time for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 19 December 2012
Latest time for termination of the Underwriting Agreement/for the Rights Issue to become unconditional.	4:00 p.m. on Thursday, 20 December 2012
Announcement of results of the Rights Issue	Friday, 21 December 2012
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Monday, 24 December 2012
Certificates for the fully-paid Rights Shares expected to be despatched on or before	Monday, 24 December 2012

EXPECTED TIMETABLE

Dealings in fully-paid Rights Shares and commence 9:00 a.m. on Thursday,
27 December 2012

Designated brokers ceases to stand in the market
to provide matching services for sale and
purchase of odd lots of shares. 4:00 p.m. on Thursday,
27 December 2012

All times and dates in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

If there is:

- a tropical cyclone warning signal number 8 or above, or
 - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 19 December 2012, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place at 4:00 p.m. on Wednesday, 19 December 2012, but will be extended to 5:00 p.m. on the same day instead; and
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 19 December 2012, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Right Shares will not take place on Wednesday, 19 December 2012, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Wednesday, 19 December 2012, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Announcement”	The announcement of the Company dated 18 October 2012 in relation to the Rights Issue and change in board lot size
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Bonus Warrants”	the outstanding HK\$28,900,000 Bonus Warrants granted by the Company pursuant to the passing of the extraordinary general meeting on 29 September 2010 entitling the holders of Bonus Warrants to subscribe for 85,000,000 new Shares at a subscription price of HK\$0.34 per Share
“Branch Registrar”	the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, with office at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Business Day”	a day (other than a Saturday, a Sunday and a public holiday) on which banks are generally open for business for more than five hours in Hong Kong
“CB Holder”	Mr. Sin, the holder of the outstanding Convertible Bonds
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China, but, for the purpose of this prospectus only and except where the context requires otherwise, does not include Hong Kong, Macau and Taiwan
“Company”	National Arts Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on GEM
“Convertible Bonds”	Convertible Bonds in aggregate principal amount of HK\$121,500,000 details of which are set out in the announcement dated 18 November 2010
“Directors(s)”	director(s) of the Company

DEFINITIONS

“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors has been formed to make recommendations to the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“IPO”	initial public offering
“Last Trading Day”	18 October 2012 being the date of the Underwriting Agreement and the day on which the Shares were traded on the Stock Exchange
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 19 December 2012, or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents

DEFINITIONS

“Latest Time For Termination”	4:00 p.m. on the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Latest Practicable Date”	30 November 2012, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Miss Law”	Miss Law Po Yee, being the spouse of Mr. Sin, who legally and beneficially owned 6,672,000 Shares (without taking into account of the interests in Shares held under New Share Options and Post-IPO Share Options) representing approximately 0.82% of the entire issued capital of the Company as at the Latest Practicable Date
“Mr. Sin”	Mr. Sin Kwok Lam, a substantial Shareholder of the Company who legally and beneficially owned 195,198,000 Shares (without taking into account of the interests in Shares held under New Share Options, Post-IPO Share Options and Convertible Bonds), representing approximately 24.06% of the entire issued capital of the Company as at the Latest Practicable Date
“New Share Options”	the outstanding 64,350,000 share options granted by the Company pursuant to the New Share Option Scheme entitling the holders of the New Share Options to subscribe for 64,350,000 new Shares
“New Share Option Scheme”	the share option scheme of the Company adopted on 29 September 2010
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to issue the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong

DEFINITIONS

“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Wednesday, 5 December 2012, or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or to the Non-Qualifying Shareholders (as the case may be) for information purposes only
“Post-IPO Share Options”	the outstanding 77,650,000 share options granted by the Company pursuant to the Post-IPO Share Option Scheme entitling the holders of the Post-IPO Share Options to subscribe for 77,650,000 new Shares
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on 22 July 2002
“Prospectus”	the prospectus to be issued by the Company and despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	Tuesday, 4 December 2012 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the proposed rights issue on the basis of four Rights Shares for every one existing Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	3,245,016,556 Shares proposed to be offered to the Qualifying Shareholders for the subscription on the basis of four Rights Shares for every one Share held on the Record Date pursuant to the Rights Issue

DEFINITIONS

“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened for the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the Rights Issue and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Share Options”	Post-IPO Share Options and New Share Options
“Share Option Holder(s)”	the holder(s) of the outstanding Post-IPO Share Options and New Share Options
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Rights Share
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Underwriter”	Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 18 October 2012 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Rights Shares”	2,437,536,556 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%” or “per cent.”	percentage or per centum

In the event of any inconsistency, the English text of this Prospectus shall prevail over the Chinese text.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- A. the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the absolute opinion of the Underwriter) material in the context of the Rights Issue; or
- B. there shall be:
- (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
 - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 7 trading days (as defined in the GEM Listing Rules);
 - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere

which is or are, in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time For Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

LETTER FROM THE BOARD



National Arts

NATIONAL ARTS HOLDINGS LIMITED

國藝控股有限公司*

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

(Stock Code: 8228)

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

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong*

Unit B, 2/F Jone Mult Factory Building

169 Wai Yip Street

Kwun Tong

Kowloon, Hong Kong

5 December 2012

To the Qualifying Shareholders

(and for information only, the Non-Qualifying Shareholders, if any)

Dear Sir or Madam

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR RIGHTS SHARES FOR EVERY ONE
EXISTING SHARE HELD ON THE RECORD DATE**

INTRODUCTION

On 18 October 2012, the Board announced that the Company proposed to raise approximately HK\$312.53 million before expenses (no Post-IPO Share Options, New Share Options and Bonus Warrants are exercised or are not converted as at the Record Date) by way of the Rights Issue at the Subscription Price of HK\$0.10 per Rights Share on the basis of four (4) Rights Shares for every one (1) existing Share held on the Record Date.

* For identification purpose only

LETTER FROM THE BOARD

The Rights Issue was approved by the Independent Shareholders at the SGM held on Monday, 26 November 2012.

The change in board lot size has been effective on Wednesday, 5 December 2012.

The purpose of this Prospectus is to provide you with, amongst other matters, further details regarding the Rights Issue including information on dealings in, transfer and application for the Rights Shares and financial and other information of the Group.

ISSUE STATISTICS

Basis of the Rights Issue	four Rights Shares for every one existing Share held on the Record Date
Subscription Price	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	811,254,139 Shares
Number of Bonus Warrants in issue	85,000,000 Shares may be issued upon exercise in full at the subscription price of HK\$0.34 per Share
Number of Post-IPO Share Options in issue	77,650,000 Post-IPO Share Options entitling holders to subscribe for 77,650,000 Shares
Number of New Share Options in issue	64,350,000 New Share Options entitling holders to subscribe for 64,350,000 Shares
Number of Rights Shares (<i>Note 1</i>)	3,245,016,556 Rights Shares (with an aggregate nominal value of HK\$32,450,165.56 at par value HK\$0.01 per Rights Share)
Number of Shares in issue upon completion of the Rights Issue (<i>Note 1</i>)	4,056,270,695 Shares

Save as the Convertible Bonds, Post-IPO Share Options, New Share Options and Bonus Warrants, the Company has no other outstanding convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Notes:

1. The number of Rights Shares is arrived at assuming no exercise or conversion of the Post-IPO Share Options, New Share Options, Bonus Warrants on or before the Record Date.

IRREVOCABLE UNDERTAKINGS

As at the date of this Prospectus, there are outstanding Convertible Bonds in the aggregate amount of HK\$121,500,000 convertible into 110,454,545 new Shares at the conversion price of HK\$1.1 per conversion Share (subject to adjustment).

As at the date of the Announcement, the Mr. Sin, being the CB Holder, has irrevocably undertaken to the Underwriter that he will not exercise any of his conversion rights or exercise rights under the Convertible Bonds up to and including the Record Date and will accept repayment of the outstanding balance of the Convertibles Bonds by the Company out of the proceeds of the Rights Issue.

As at the Latest Practicable Date, Mr. Sin and Miss Law have irrevocably undertaken to the Company that they will not exercise any of their conversion rights or entitlement granted by the Company pursuant to the Post-IPO Share Options and New Share Options up to and including the Record Date.

Mr. Sin and Miss Law have irrevocably undertaken to subscribe for 807,480,000 Rights Shares in aggregate, representing approximately 24.88% (assuming no further Shares have been issued and no Post-IPO Share Options, New Share Options and Bonus Warrants are exercised) of all the Rights Shares to which they are entitled under the Rights Issue, at an aggregate subscription price of approximately HK\$80.75 million.

All the Directors have irrevocably undertaken that they will not deal with their nil-paid Rights Shares (if any) and will not apply for any excess application of their provisional allotment under the Rights Issue.

QUALIFYING SHAREHOLDERS

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders and (b) the Prospectus to the Non-Qualifying Shareholders for information purposes only.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date;
and
2. not be a Non-Qualifying Shareholder.

LETTER FROM THE BOARD

RIGHTS OF OVERSEAS SHAREHOLDERS

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them on the Posting Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata (rounded down to the nearest cent) to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Based on the register of members of the Company as at the Latest Practicable Date, the Company is not aware of any Overseas Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

SUBSCRIPTION PRICE

The Subscription Price for the Rights Shares is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- A. a discount of approximately 81.13% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Last Trading Day;
- B. a discount of approximately 46.24% to the theoretical ex-rights price of approximately HK\$0.186 per Share after the Rights Issue based on the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- C. a discount of approximately 83.00% to the average closing price of approximately HK\$0.588 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. The Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of the independent financial adviser) consider that the terms of the Rights Issue, including the Subscription Price which has been set at a deep discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and is in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.096.

BASIS OF PROVISIONAL ALLOTMENT

The basis of the provisional allotment shall be four Rights Shares for every one existing Share held on the Record Date, being 3,245,016,556 Rights Shares (assuming no new Share being issued, no Share being repurchased by the Company, no exercise or conversion of the Post-IPO Share Options, New Share Options and Bonus Warrants on or before the Record Date).

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted for.

LETTER FROM THE BOARD

FRACTIONS OF RIGHTS SHARES

On the basis of four Rights Shares for every one existing Share held by Qualifying Shareholders, no fractional entitlements to the Rights Shares are expected to arise under the Rights Issue.

STATUS OF THE RIGHTS SHARES

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

SHARE CERTIFICATES AND REFUND CHEQUES FOR THE RIGHTS ISSUE

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Monday, 24 December 2012. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Monday, 24 December 2012 by ordinary post to the applicants at their own risk. One share certificate will be issued for all the Rights Shares allotted to each applicant.

PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Branch Registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 19 December 2012, or such later time and/or date as may be agreed between the Company and the Underwriter. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "National Arts Holdings Limited - Rights Issue Account" and crossed "Account Payee Only". Any payments for Rights Shares should be rounded down to 2 decimal points.**

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Branch Registrar by not later than 4:00 p.m. on Wednesday, 19 December 2012, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

LETTER FROM THE BOARD

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer all or part of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 11 December 2012 with the Branch Registrar, who will cancel the original PAL and issue new PAL(s) in the denomination(s) required which will be available for collection from the Share Registrar within three Business Day from the date of lodgment.

All cheques and cashier's orders for the Rights Shares will be presented for payment immediately following receipt and all interest earned on such monies, if any, will be retained for the use and benefit of the Company. If any cheque or cashier's order is dishonoured on first presentation, the PAL is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If, at any time prior to 4:00 p.m. on the first Business Day after the Latest Time For Acceptance (which is expected to be Wednesday, 19 December 2012), any of the conditions of the Rights Issue are not fulfilled or the Underwriter exercises its right to terminate the Underwriting Agreement in accordance with its terms, the Rights Issue will not proceed and the monies received in respect of acceptances of the Rights Shares will be refunded to the applicants without interest by means of cheques to be despatched by ordinary mail at the risk of such applicants on or about Monday, 24 December 2012.

APPLICATION FOR EXCESS RIGHTS SHARES

A Qualifying Shareholder shall be entitled to apply for (i) any unsold entitlement of the Non-Qualifying Shareholders, if any; (ii) any unsold Rights Shares comprised in any fractional entitlement of Rights Shares; and (iii) any Rights Shares provisionally allotted but not accepted by other Qualifying Shareholders.

Any Qualifying Shareholder wishing to apply for any excess Rights Shares in addition to his/her/its provisional allotment must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the Branch Registrar, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 19 December 2012, or such later time and/or date as may be agreed between the Company and the Underwriter. **All remittances must be made in Hong Kong dollars. Cheques must be drawn on a bank account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "National Arts Holdings Limited – Excess Application Account" and crossed "Account Payee Only". Any payments for Rights Shares should be rounded down to 2 decimal points.**

LETTER FROM THE BOARD

Applications for excess Rights Shares may be made by completing the EAFs for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

1. preference will be given to applications for topping-up odd lots holdings to whole lot holdings; and
2. subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied for by them (i.e. the Qualifying Shareholders applying for smaller numbers of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas the Qualifying Shareholders applying for larger numbers of Rights Shares are allocated with a smaller percentage of successful application but will receive higher number of Rights Shares).

In the event that the Company discovered certain applications may have been made with the intention to abuse the mechanism whereby preference would have been given to applications for topping up odd-lot holdings, the Company will change the allocation method for the excess Rights Shares on a fair and equitable basis.

The Directors consider such an allocation basis to be fair and reasonable.

Investors with their Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, it is expected that a cheque for the amount tendered on application in full without interest will be posted to his/her/its registered address by ordinary mail at his/her/its risk on or about Monday, 24 December 2012. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, it is expected that a cheque for the amount of the surplus subscription monies, without interest, will be posted to his/her/its registered address by ordinary mail at his/her/its risk on or about Monday, 24 December 2012.

APPLICATION FOR LISTING

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) to be admitted into CCASS.

Dealing in Shares may be settled through CCASS and you should consult your stockbroker or other registered dealer of securities, bank manager, solicitors, professional adviser for details of these settlement arrangements and how such arrangements may affect your rights and interest.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 20,000 Shares.

Dealings in the Rights Shares in both their nil-paid form and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

1. the passing of all the necessary resolution(s) by the Independent Shareholders) at the SGM and the Board on or before the Posting Date to approve the Rights Issue and the use of proceeds for repayment of the Convertible Bonds and other liabilities as well as working capital;
2. the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorized in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and the filing of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Posting Date;

LETTER FROM THE BOARD

3. the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;
4. the Listing Division of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares in both their nil-paid and fully paid forms before the first day of their dealings;
5. compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement; and
6. compliance by Mr. Sin and Miss Law with their undertaking and obligations under their respective undertaking given to the Company and the Underwriter(as set out under the heading “Irrevocable Undertakings” in this Prospectus) prior to the Record Date.
7. the Underwriting Agreement not being terminated by the Underwriter pursuant to its terms

If the above conditions are not satisfied and/or waived in whole or in part by the Underwriter on the respective dates aforesaid and being no later than 31 March 2013 or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

THE UNDERWRITING AGREEMENT

Date 18 October 2012 after trading hour

Underwriter Emperor Securities Limited

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owner are Independent Third Party.

Total number of Rights Shares 3,245,016,556 Shares (assuming no new Share being issued, no Share being repurchased by the Company, no Post-IPO Share Options, New Share Options and Bonus Warrants are exercised on or before the Record Date)

LETTER FROM THE BOARD

Total number of Underwritten Rights Shares	The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being 2,437,536,556 Rights Shares (assuming no new Share being issued, no Share being repurchased by the Company, no Post-IPO Share Options, New Share Options and Bonus Warrants are exercised on or before the Record Date, being the total number of Rights Shares less any Rights Shares for which Mr. Sin and Miss Law undertook to subscribe irrevocably).
Underwriting Commission	Payable by the Company to the Underwriter at 3.75% of the aggregate Subscription Price of the Underwritten Rights Shares as at the Record Date mentioned above.

Unless the Underwriting Agreement shall have otherwise been terminated by the Underwriter pursuant to their right of termination on or before the Latest Time For Termination, if the Underwriter shall default in complying with any of their respective obligations under the Underwriting Agreement, the Company shall be entitled to claim against the defaulting Underwriter(s) for loss and damage.

The commission rate was determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, and the current and expected market condition. The Board considers the terms of the Underwriting Agreement (including the commission rate) are fair and reasonable so far as the Company and the Shareholders are concerned.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- A. the Underwriter shall become aware of the fact that, the undertakings provided by the Directors (including Mr. Sin and Miss Law) are all duly complied with or shall have reasonable cause to believe that any of the warranties in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the absolute opinion of the Underwriter) material in the context of the Rights Issue; or
- B. there shall be:
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;

LETTER FROM THE BOARD

- (ii) any change in local, national or international financial, political, industrial or economic conditions;
- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
- (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 7 trading days (as defined in the GEM Listing Rules);
- (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the absolute opinion of the Underwriter:

- (A) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (B) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (C) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time For Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible change upon completion of the Rights Issue:

LETTER FROM THE BOARD

Assuming no new Share being issued, no Share being repurchased by the Company, no exercise of Post-IPO Share Options, New Share Options and Bonus Warrants on or before the Record Date:

	As at the Latest Practicable Date		Assuming all Shareholders are Qualifying Shareholders and take up his/her/its entitlement under the Rights Issue		Assuming no Qualifying Shareholders take up his/her/its entitlement under the Rights Issue except Mr. Sin and Miss Law pursuant to their undertaking	
	No. Of Shares	%	No. Of Shares	%	No. Of Shares	%
Sin Kwok Lam (Note 3)	195,198,000	24.06%	975,990,000	24.06%	975,990,000	24.06%
Law Po Yee (Note 3)	6,672,000	0.82%	33,360,000	0.82%	33,360,000	0.82%
Tse Young Lai	160,965,333	19.84%	804,826,665	19.84%	160,965,333	3.97%
Underwriter and sub-underwriters (Note 1)	–	–	–	–	2,437,536,556	60.09%
Public Shareholders (Note 2)	448,418,806	55.28%	2,242,094,030	55.28%	448,418,806	11.06%
Total	811,254,139	100.00%	4,056,270,695	100.00%	4,056,270,695	100.00%

Notes:

1. The above scenarios are for illustrative purpose only.
 - (a) the Underwriter shall not subscribe, for its own account, for such number of untaken Shares which will result in the shareholding of it and parties acting in concert with it (within the meaning of the Takeovers Code) in the Company to own 30% or more of the voting rights of the Company upon the completion of the Rights Issue; and
 - (b) The Underwriter has procured sub-underwriters to underwrite the Rights Shares. Each of the sub-underwriters is an Independent Third Party. As stipulated in the sub-underwriting agreements with the sub-underwriters, the sub-underwriters confirmed with the Underwriter that they and their respective placees would not be obliged to make a mandatory offer for all the existing Shares by reason of them taking up any Rights Shares.
2. The Company will ensure the compliance with the public float requirements under Rule 11.23 of the GEM Listing Rules upon completion of the Rights Issue. The Underwriter shall use its best endeavours to ensure each of the sub-underwriters to procure independent placees to take up such number of untaken Shares as necessary to ensure that the public float requirements under Rule 11.23 of the GEM Listing Rules are complied with by the Company.
3. Mr. Sin beneficially owns as to 195,198,000 Shares (without taking into account of the interests in Shares held under New Share Options, Post-IPO Share Options and Convertible Bonds) and is a substantial Shareholder as at the Latest Practicable Date. Miss Law, the spouse of Mr. Sin, beneficially owns as to 6,672,000 Shares (without taking into account of the interests in Shares held under New Share Options and/or Post-IPO Share Options) and was deemed to be interested in all the Shares in which Mr. Sin was interested. Mr. Sin and Miss Law are interested in aggregate of 113,600,000 Share Options.

LETTER FROM THE BOARD

The Board is aware of the potential dilution to the Qualifying Shareholders' shareholding interests in the Company under the arrangement of the Rights Issue on the basis of four Rights Shares for every one existing Share held on the Record Date. As the Rights Issue is available to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interest in the Company if they take up their rights entitlements under the Rights Issue in full.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Existing Shares have been dealt with on an ex-rights basis since Wednesday, 28 November 2012. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 7 December 2012 to Friday, 14 December 2012 (both days inclusive). Shareholders and potential investors should note that dealing in the Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any dealings in the Shares from the date of the Announcement and up to 4:00 p.m. on Thursday, 20 December 2012, being the time and date by which all the conditions of the Rights Issue are to be fulfilled and when the right of the Underwriter to terminate the Underwriting Agreement is to lapse, and any dealings in the Rights Shares in their nil-paid form between Friday, 7 December 2012 to Friday, 14 December 2012 (both days inclusive), are accordingly subject to the risk that the Rights Issue may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form and, if they are in any doubt about their position, they should consult their professional adviser(s).

REASONS FOR THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Group is principally engaged in film production and distribution, provision of management services to artiste, operation of film studio and operation of hotels.

The estimated net proceeds (after expenses) from the Rights Issue (as covered by the Underwriting Agreement and the undertaking of Mr. Sin and Miss Law) will be approximately HK\$312.53 million. The Company intends to use the net proceeds of approximately HK\$171.07 million to reduce the liabilities of the Group, including but not limited to the repayment of outstanding balance of HK\$121.50 million Convertible Bonds from Mr. Sin, the outstanding balance of loan from director of approximately HK\$1.17 million, the outstanding balance of loan from a related company of approximately HK\$13.40 million and other borrowings of approximately HK\$35.00 million. The remaining balance of HK\$141.46 million will be used as general working capital of the Group including i) approximately HK\$39.35 million for the film shooting base in "Xiqiao Mountain Dream Work" project, ii) approximately HK\$87.84 million for construction of a 5-stars hotel in "Xiqiao Mountain Dream Work" project. as to approximately HK\$14.27 million for general working capital, including, inter alia, salary, rental and other expenditure for the current projects.

LETTER FROM THE BOARD

Having considered the latest cash position of the Group as at 30 September 2012 (being approximately HK\$6 million), a debt to equity ratio of approximately 27% as at 30 September 2012 and the business performance of the Group, the Directors considers that reducing existing and future liabilities of the Group through equity financing strategies is the best option. If the Convertible Bonds are redeemed in full, it is estimated that the Company could reduce the interest burden of approximately HK\$1.22 million and the total liabilities of the Group by approximately HK\$121.5 million. It has also been the Company's plan to conduct equity fund raising to develop its PRC film related business such as the "Xiqiao Mountain Dream Work" project which is of capital intensive in nature. The redemption of the Convertible Bonds will also eliminate any potential dilution effect on the shareholdings of the Shareholders upon conversion of the Convertible Bonds and is therefore beneficial to the Shareholders.

As rights issue is pre-emptive fund raising method and allow Shareholders to participate and maintain its pro-rata interests or increase its interests in the Company (if applicable), the Directors consider that the proposed Rights Issue is the best available method for fund raising under the existing situation. As the Underwriter is willing to act as the underwriter of the Rights Issue, net proceeds of approximately HK\$312.53 million will be raised upon completion of the Rights Issue. It represents a good opportunity and a proactive step for the Group to reduce the liabilities and strengthen the financial position of the Group as well as providing working capital to the Group to meet any future obligation.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund raising exercise in the past twelve months immediately preceding the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE POST-IPO SHARE OPTIONS, NEW SHARE OPTIONS AND BONUS WARRANTS

As a result of the Rights Issue, the exercise price of the Post-IPO Share Options, New Share Options and Bonus Warrants may be adjusted in accordance with the respective terms and conditions and the GEM Listing Rules or guidelines issued by the Stock Exchange from time to time. The Company will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the exercise price and the number of the Share Options and will inform the Share Options Holders and the Bonus Warrants holders of such adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

LETTER FROM THE BOARD

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the subscription for, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, and as regards the Overseas Shareholders(if any), their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, holders of the Rights Shares resulting from the subscription for, holding or disposal of, or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise in both their nil-paid and fully-paid forms.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
By Order of the Board
National Arts Holdings Limited
Law Po Yee
Chief Executive Officer

A. THREE-YEAR FINANCIAL INFORMATION

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheets together with the notes on the annual accounts of the Group for each of the three years ended 31 December 2009, 2010 and 2011 are disclosed in pages 27 to 97 of annual report 2009, pages 28 to 107 of annual report 2010 and pages 33 to 121 of annual report 2011 of the Company respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.nationalarts.hk)

B. INDEBTEDNESS

As at the close of business on 31 October 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, other than convertible notes of the Group with total principal amount of approximately HK\$121.5 million, the Group had outstanding borrowings included unsecured borrowings from third parties and a related company of approximately HK\$60,000,000 and HK\$13,400,000 respectively and loans from a director of approximately HK\$1,166,000.

As at the close of business on 31 October 2012, the Group had bank overdraft of approximately HK\$6,995,000 which was secured by a first legal charge over a property of the Group.

As at the close of business on 31 October 2012, the Group had finance lease obligations of approximately HK\$17,272,000.

As at the close of business on 31 October 2012, the Group had outstanding 1% coupon rate convertible notes with total principal amount of approximately HK\$121.5 million and initial conversion price of HK\$1.10 per conversion share 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, the Group shall invest no less than RMB300 million for the projects or the Group is liable to pay RMB4 million as damages to the local authority. The completion of constructions and commencement of operations of the projects shall be within three and four years respectively from the signing of the lease agreements. The directors of the Company are of the opinion that the conditions set in the leasing agreements could be achieved and no provision for liability is necessary.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2012, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the net proceeds from the Rights Issue and the financial resources available to the Group (including internally generated fund and the available banking facilities), the Group will have sufficient working capital for its present requirements for a period of 12 months from the date of this Prospectus.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

E. BUSINESS REVIEW FOR NINE MONTHS ENDED 30 SEPTEMBER 2012

In 2011, the China economy has developed rapidly and maintained a robust growth, with the strong support of the Chinese government, a series of policies on tourism and cultural industries had been implemented. As a result, the Company benefits from the continually growing cultural development which flourished the Group's filming and entertainment business in China. With active efforts to promote tourism in recent years, Guangdong Province ranked second in the "2011 total tourism income in various provinces across the country", resulted in aggregated tourism revenue of RMB486 billion, representing an increase of 26%. Driven by this favourable factor, the Group will increase the speed of developing the "Xiqiao Mountain Dream Work" (the "Dream Work") and further exploit the tourism resources of Xiqiao Mountain, so as to strengthen the synergies between the Dream Work and the tourism industry.

Under the support of the central government, the domestic film industry is developing immensely, thereby stimulating a sharp increase in demand for shooting venues. After the acquisition of Head Return Limited and Expand Pacific Limited, the Group has been constantly placing resources on the development of the Dream Work in Foshan City, Guangdong Province. With reference to the U.S. Universal Studios, the Group is in the progress of constructing a distinctive film making studio which covers an area of not less than 478,000 square metres with sightseeing and film making scenes in one site. The Directors believe that the Dream Work will be one of the most favorite tourist attractions in China. The Dream Work will include the following major constructions:

1. a film shooting base with a couple of shooting scenic spots;
2. a five-star hotel; and
3. a multi-functional performance stadium.

Film Shooting Base

The Group is fully geared towards the construction of the largest film shooting base in South China region. The major scenic spots include Ancient Houses, Ancient Justice Office and Ancient Commercial Street which will be completed in the first half of 2013 where the Hong Kong Scene Area had already been completed and opened for filming in August 2012. Shanghai Scene Area, Canton Scene Area, Imperial Garden, Beijing Old Street, Four-section Compound, Foreign Scene Area, the Water Towns in Southern Yangtze River, the Ming-Qing Dynasty Palace and the Qing-Ming Festival Riverside Scene are scheduled to be completed in second half of 2013. The film shooting base can provide diversified and practical scenes for film crews, and is expected to attract a lot of studio production companies from China and Hong Kong due to its supreme geographical location and good climate. We have already received booking for a TV drama for February 2013. Following the gradual opening of the studio, the Group expects that it will be able to generate more admission fees for the Xiqiao Mountain scenic spots and cause greater benefits for the Group.

Hotel

The five-star hotel will be completed in the mid-2013 to provide about 350 rooms for travelers and expected to generate revenue for the Group. The design of the hotel will be based on a “Modern European” style that incorporates the Greek colour elements. There will be a Topping-out Ceremony in December 2012 at which our shareholders are also invited to attend.

Film Production

The script and casting of the film “Ip Man – The Final Fight” (《葉問—終極一戰》) has been completed and the shooting work was finished in the second half of 2012. It is now in the later production stage. The Management anticipated that it will set off another craze for Wing Chun (Chinese martial art) and strengthen the Group’s foundation by way of attracting tourists and bringing more visitors to the studio. As confirmed by to our authorized film-distributor, order has been received in the North America, which is encouraging. Although the total figure of final sales is still pending, it is expected that the Group will have satisfactory return.

Artiste Management

In addition to the films produced by the Group, the Group’s rising artiste Mr. To Yu Hang, Dennis (杜宇航先生) and Miss Chan Ka Woon, Rose (陳嘉桓小姐) actively take part and perform in different types of movies and TV shows. They also serve as spokespersons and participate in advertising photography. Such activities will give a positive impact on the Group’s image. In view of the numerous ongoing enquiries and consultations of prospective new jobs, it is expected that artiste management will make a greater contribution to the Company’s financial position to foster further expansion of this business segment.

Furthermore, the Group will seek other opportunities related to the artiste management industry. In August 2012, Mr. Chow Ting Yu (周定宇先生), one of the Hong Kong Ten Outstanding Young Persons in 2011, joined the Group as an artiste. Mr. Chow is expected to be a rising star in the coming years.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During the nine months ended 30 September 2012, the Group reported total turnover of approximately HK\$4.8 million, compared with approximately HK\$4.7 million for the corresponding period a year ago, representing an increase of approximately 0.6%. No material difference was noted between current and comparable periods.

Other operating income for the period under review increased approximately HK\$32.2 million due to construction management fee income receivable upon completion of construction of Wong Tai sin Temple and gain on disposal of a property located in Hong Kong.

Staff costs for the period under review increased to approximately HK\$13.9 million from approximately HK\$11.5 million in previous period. An increase of approximately HK\$2.4 million in staff cost was mainly due to the share options granted to directors and employees and increase of number of staff during the period under review.

Finance costs for the period under review increased to approximately HK\$10.9 million mainly due to (i) the interest on convertible bonds, which were issued as part of the consideration for the acquisition of 51% in each of Head Return Limited and Expand Pacific Limited during the year 2011; and (ii) interest on other borrowings raised during the period.

For the nine months ended 30 September 2012, the Group recorded a net profit of HK\$0.6 million as compared to net loss of the comparable period of approximately HK\$24.1 million. The turnaround from loss to profit was mainly due to increase of other operating income during the period.

With the expected completion of the Dream Work and performance stadium from 2013 to 2014, income can be generated for the Group in the next financial year and thus strengthened the income base and the financial position of the Group.

RISK FACTORS

1. Market Risks

The Group are subject to economic, political and social conditions in the PRC

As the operations of the Dream Work are in the PRC, the business prospects, results of operations and financial performances are, to a great extent, subject to the economic, political and legal developments and changes in government policies in the PRC. While

the PRC has been one of the world's fastest growing economies, in the coming years, there is always a possibility that the PRC may not be able to sustain such a high growth rate. In addition, any future calamities, including natural disasters, outbreaks of contagious diseases and political or social unrest may cause a decrease in the level of economic activities and significantly reduce the number of tourists and adversely affect the economic growth in the PRC and thus the business of the Dream Work

The Group faces competition from nearby attraction sites

The Dream Work faces competition for tourists in the Guangdong Province and the PRC at large. Competitors include operators of other famous tourist areas and film studios. If the Group is unable to maintain and increase its competitiveness against other competitors, the business, financial condition, or results of operations of the Dream Work could be adversely affected.

The seasonality of the film studio and hotel industry could have a material adverse effect on our revenues and financial condition

The business of film studio and hotel industry is seasonal in nature and can cause fluctuations in our revenues and financial condition. Our earnings may be adversely affected by factors outside our control in certain markets in which we operate. This seasonality can be expected to cause periodic fluctuations in our hotel room and restaurant revenues, occupancy levels, room rates and operating expenses. We can provide no assurances that our cashflows will be sufficient to offset any shortfalls that occur as a result of these fluctuations, and we may have to enter into short-term borrowings in order to enhance our cashflow position at any time during the financial year. As a result, volatility in our financial performance resulting from the seasonality of the film studio and hotel industry could have a negative effect on our revenues and financial condition.

2. Company Risks

We may not have sufficient visitors/users to visit and use the Dream Work

The Dream Work is expected to generate significant income from late 2013 onward. There is no assurance that the Dream Work can be successfully developed into an attraction to tourists and film production companies for using the film studio. If there are not enough visitors to the hotels as well as users of the film studio, the Dream Work may not be able to contribute profits or may result in loss to the Group.

There may be delay in the construction of Dream Work

The Dream Work face risks relating to the construction of the film studio and hotels, including delays to construction timetables, failure to complete the Dream Work within budget, adverse trends in the construction industry and the general economic and financial conditions in the PRC. Any delay in construction may result in delay in the completion of the Dream Work rendering the Dream Work liable for paying compensation or higher rental to the Foshan City Nanhai District Xiqiaoshan Forest Park Goods and Materials Company (佛山市南海區西樵山森林公園物資公司) and other extra construction costs or even termination of the lease agreements. Such delay could have a material adverse effect on the business, financial condition or results of operation of the Dream Work.

Our success is dependent on the continuation of our senior management and experienced employees

Our ability to compete and succeed in our industry is dependent on the continuation of the services of our senior management team, which mainly comprised of our general/senior managers. It cannot be assured that we will be able to retain any of our employees due to various reasons whether the reasons are job-market related or personal. As our general/senior managers are responsible for running the day-to-day operations of the Dream Work, if one or more of them are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may face difficulties in recruiting people of similar calibre, our business may be seriously affected. Our financial condition and results of operations may bear the adverse chain-effect ultimately.

We may be unable to obtain the funding required to implement future developments

The continued development of Dream Work requires substantial amounts of capital. We have historically funded these activities through a combination of debt financing and cashflow from existing operations. If we are unable to fund any developments in the future from existing operating cashflows and/or proceeds from the Rights Issue, any such activities will be highly dependent upon our ability to obtain additional debt financing. Obtaining additional debt financing is, in turn, subject to a variety of uncertainties, including:

- our financial condition, cashflow position, leverage position and credit rating;
- general market conditions for financing activities;
- general operating environment within the film studio and hotel industry; and
- our Share price.

External financing may not be available in a timely manner, on acceptable terms, or at all. Failure to obtain external financing on acceptable terms to meet our funding needs may prevent us from implementing our plans to grow or refurbish Dream Work, which may have a negative impact on our competitiveness in the industry, our ability to improve our revenues, and our results of operations.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “Unaudited Pro Forma Financial Information”) prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and is set out to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 June 2012.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, based on the judgements, estimates and assumptions for the directors of the Company, and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2012, as extracted from the published interim report of the Group as of 30 June 2012 and the adjustments described below.

Unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2012 <i>HK\$'000</i> <i>Note 2</i>	Adjustments for intangible assets <i>HK\$'000</i> <i>Note 3</i>	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2012 <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2012 <i>HK\$</i> <i>Note 4</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>Note 5</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2012 <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2012 <i>HK\$</i> <i>Note 6</i>
3,245,016,556						
Rights Shares at subscription price of HK\$0.10 per Right Share (<i>Note 1</i>)						
<u>296,529</u>	<u>(52,770)</u>	<u>243,759</u>	<u>0.30</u>	<u>312,530</u>	<u>556,289</u>	<u>0.14</u>

Notes

1. The Rights Issue of 3,245,016,556 Rights Shares is calculated on the basis of four rights shares for every one existing share held on the record date. It is based on 811,254,139 Shares in issue immediately before the Rights Issue.
2. The unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2012 is extracted from the published unaudited interim report of the Group for the six months ended 30 June 2012.
3. These represent the unaudited amounts of the Group's goodwill of approximately HK\$8,974,000 and land lease prepayment of approximately HK\$43,796,000 (being 51% of the total land lease prepayments of approximately HK\$85,874,000) which are attributable to the owners of the Company as at 30 June 2012. The land lease prepayments represent the premium recognised as intangible assets when acquiring the land interests which were held under favourable leasing terms with the local authority in the People's Republic of China. The amounts of goodwill and total land lease prepayments are extracted from the published unaudited interim report of the Group for the six months ended 30 June 2012.
4. The calculation of consolidated net tangible assets of the Group attributable to the owners of the Company per share is based on 808,254,139 Shares in issue as at 30 June 2012. In July 2012, 3,000,000 Shares were further issued.
5. The estimated net proceeds from the Rights Issue is calculated based on 3,245,016,556 Rights Shares to be issued at the Subscription Price of HK\$0.10 per Rights Share and after deduction of the estimated related expense including financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately HK\$11,971,000.
6. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue is calculated based on 4,053,270,695 Shares which comprise 808,254,139 Shares in issue as at 30 June 2012 and 3,245,016,556 Rights Shares expected to be issued on the completion of the Rights Issue.
7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2012.

The following is the text of a report, prepared for the sole purpose of inclusion in this Prospectus received from the independent reporting accountants, BDO Limited, Certified Public Accountants.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**



Tel: +852 2218 8288

Fax: +852 2815 2239

www.bdo.com.hk

25th Floor Wing On Centre

111 Connaught Road Central

Hong Kong

5 December 2012

The Board of Directors
National Arts Holdings Limited
Unit B, 2/F.
Jone Muilt Factory Building
169 Wai Yip Street, Kwun Tong
Hong Kong

Dear Sirs

**ACCOUNTANT’S REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF NATIONAL ARTS HOLDINGS LIMITED**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of National Arts Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) attributable to the owners of the Company as set out on pages 29 to 30 under the heading of “Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group” (the “Unaudited Pro Forma Financial Information”) in Appendix II to the Company’s prospectus dated 5 December 2012 (the “Prospectus”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the rights issue of 3,245,016,556 rights shares on the basis of four rights share for every one existing share at HK\$0.10 per rights share to the qualifying shareholders of the Company on the record date (the “Rights Issue”) might have affected the net tangible assets of the Group if the Rights Issue had taken place as at 30 June 2012. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the section headed “Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group” in Appendix II of the Prospectus.

Respective responsibilities of directors of the Company and reporting accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial positions of the Group had the Rights Issue actually occurred as at 30 June 2012 or any future date.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully

BDO Limited

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue are as follows:

<i>Authorised:</i>	<i>HK\$</i>
60,000,000,000 Shares as at the Latest Practicable Date	600,000,000

Assuming no new Share being issued, no Share being repurchased by the Company, no exercise of Post-IPO Share Options, New Share Options and Bonus Warrants and no conversion of outstanding Convertible Bonds on or before the Record Date:

<i>Issued and to be issued:</i>	<i>HK\$</i>
811,254,139 Shares in issue as at the Latest Practicable Date	8,112,541.39
<u>3,245,016,556</u> Rights Shares to be issued	<u>32,450,165.56</u>
<u><u>4,056,270,695</u></u> Shares in issue following completion of the Rights Issue	<u><u>40,562,706.95</u></u>

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were outstanding 77,650,000 Post-IPO Share Options entitling holders to subscribe for 77,650,000 Shares and outstanding 64,350,000 New Share Options entitling holders to subscribe for 64,350,000 Shares in issue. Further, there were outstanding HK\$28,900,000 Bonus Warrants which entitle the holders of Bonus Warrants to subscribe for 85,000,000 new Shares at the subscription price of HK\$0.34 per Share and outstanding Convertible Bonds (held by Mr. Sin) in the aggregate amount of HK\$121,500,000 convertible into 110,454,545 new Shares at the conversion price of HK\$1.1 per conversion Share (subject to adjustment) at as Latest Practicable Date. Save for the aforesaid, there were no outstanding convertible preference shares, options, convertible note or other securities of the Company convertible into or giving right to subscribe for the Shares, and no share or loan capital of the Company or any of its subsidiaries had been put under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, there were no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, there was no alteration in the capital of any member of the Group since 31 December 2011 (the date to which the latest published audited accounts of the Group were made up).

3. DISCLOSURE OF INTEREST

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in 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 or as otherwise, notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long Positions in the Shares

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 (<i>Note 1</i>)	beneficial owner	195,198,000	–	195,198,000	24.06%
	interest of spouse	6,672,000	–	6,672,000	0.82%
Miss Law (<i>Note 1</i>)	beneficial owner	6,672,000	–	6,672,000	0.82%
	interest of spouse	195,198,000	–	195,198,000	24.06%
(b) Head Return Limited (Ordinary shares of HK\$0.01 each)					
Mr. Sin	beneficial owner	49	–	49	49%
Miss Law (<i>Note 2</i>)	interest of spouse	49	–	49	49%
(c) Expand Pacific Limited (Ordinary shares of HK\$0.01 each)					
Mr. Sin	beneficial owner	49	–	49	49%
Miss Law (<i>Note 2</i>)	interest of spouse	49	–	49	49%

Note 1: Mr. Sin and Miss Law together beneficially owned 201,870,000 Shares, representing approximately 24.88% 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.

(b) Rights to acquire Shares

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 the Latest Practicable Date
				As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin	29 September 2010	0.48	29 September 2010 to 2 September 2020	48,000,000	-	-	-	48,000,000
Miss Law	29 September 2010	0.48	29 September 2010 to 2 September 2020	24,000,000	-	-	-	24,000,000
Lam Kwok Hing Wilfred	29 September 2010	0.48	29 September 2010 to 2 September 2020	3,250,000	-	-	-	3,250,000
	13 May 2010	0.61	13 May 2010 to 12 May 2020	1,500,000	-	-	-	1,500,000
Chow Kai Weng	29 September 2010	0.48	29 September 2010 to 2 September 2020	150,000	-	-	-	150,000
Li Sin Hung Maxim	20 May 2010	0.564	20 May 2010 to 19 May 2020	150,000	-	-	-	150,000
Chui Chi Yun Robert	13 May 2010	0.61	13 May 2010 to 12 May 2020	200,000	-	-	-	200,000
Chan Tin Lup Trevor	20 May 2010	0.564	20 May 2010 to 19 May 2020	200,000	-	-	-	200,000
Wong Lung Tak Patrick	20 May 2010	0.564	20 May 2010 to 19 May 2020	200,000	-	-	-	200,000

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 the Latest Practicable Date
				As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Mr. Sin	28 March 2011	1.28	28 March 2012 to 27 March 2021	20,000,000	-	-	-	20,000,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	800,000	-	-	800,000
Miss Law	28 March 2011	1.28	28 March 2012 to 27 March 2021	20,000,000	-	-	-	20,000,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	800,000	-	-	800,000
Lam Kwok Hing Wilfred	28 March 2011	1.28	28 March 2012 to 27 March 2021	11,200,000	-	-	-	11,200,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	400,000	-	-	400,000
Chow Kai Weng	28 March 2011	1.28	28 March 2012 to 27 March 2021	350,000	-	-	-	350,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	400,000	-	-	400,000
Sin Ho Yee	28 March 2011	1.28	28 March 2012 to 27 March 2021	8,000,000	-	-	-	8,000,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	300,000	-	-	300,000

Details of grantees	Date of grant	Exercise Price per Share (HK\$)	Exercisable period	Number of share options				Outstanding as at the Latest Practicable Date
				As at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	
Li Sin Hung Maxim	28 March 2011	1.28	28 March 2012 to 27 March 2021	50,000	-	-	-	50,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	100,000	-	-	100,000
Chui Chi Yun Robert	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	400,000	-	-	400,000
Chan Tin Lup Trevor	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	400,000	-	-	400,000
Wong Lung Tak Patrick	28 March 2011	1.28	28 March 2012 to 27 March 2021	200,000	-	-	-	200,000
	31 March 2012	0.94	31 March 2012 to 30 March 2017	-	400,000	-	-	400,000

(c) Long positions in the underlying shares of the Convertible Bonds

Name of Directors	Capacity/ Nature of interest	Description of equity derivatives	Total	Approximate percentage of the issued share capital
Mr. Sin	beneficial owner	Convertible Bonds (<i>Note</i>)	110,454,545	13.62%
Miss Law	interest of spouse	Convertible Bonds (<i>Note</i>)	110,454,545	13.62%

Note: The Convertible Bonds, with an outstanding principal amount of HK\$121.5 million as at the Latest Practicable Date, were issued by the Company to Mr. Sin on 1 March 2011 following the completion of the agreement entered into between the Company and Mr. Sin, in connection with the acquisition of 51 shares, representing 51% of all the issued shares in the capital of each of Head Return Limited and Expand Pacific Limited. The Convertible Bonds bear 1% interest per annum; the principal amount of HK\$121.5 million was separated into: (i) Batch 1 – HK\$71.5 million with maturity date of 28 February 2014, and (ii) Batch 2 – HK\$50.0 million with maturity date of 28 February 2017; and are convertible into the Shares at the initial conversion price of HK\$1.1 per Share (subject to adjustment according to the terms of the convertible bonds). Miss Law is the spouse of Mr. Sin and is deemed to be interested in such underlying Shares under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates has any personal, family, corporate or other interests or short positions in the Shares or the shares of the Company's associated (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, of each person, other than a Director or chief executive of the Company, who had an interest or short position in the Shares, underlying Shares and debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of shareholders	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Tse Young Lai	beneficial owner	160,965,333	19.84%
Emperor Capital Group Limited (<i>Note 1</i>)	Controlled corporation	2,437,536,556	60.09% (<i>Note 2</i>)
Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited) (<i>Note 1</i>)	Controlled corporation	2,437,536,556	60.09% (<i>Note 2</i>)
STC International Limited (<i>Note 1</i>)	Controlled corporation	2,437,536,556	60.09% (<i>Note 2</i>)
Dr. Yeung Sau Shing Albert (<i>Note 1</i>)	Founder of discretionary trust	2,437,536,556	60.09% (<i>Note 2</i>)
Ms. Luk Siu Man Semon (<i>Note 1</i>)	Interest of spouse	2,437,536,556	60.09% (<i>Note 2</i>)

Notes:

- (1) Emperor Securities Limited is deemed to be interested in these underlying Shares by virtue of the Underwriting Agreement. Emperor Securities Limited is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 63.94% of the shares of Emperor Capital Group Limited are held by Emperor Capital Group Holdings Limited (formerly known as Win Move Group Limited). The entire issued share capital of Emperor Capital Group Holdings Limited is held by Albert Yeung Holdings Limited (formerly known as Million Way Holdings Limited), which in turn is held by STC International Limited on trust for The Albert Yeung Discretionary Trust (“AY Trust”). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 2,437,536,556 Rights Shares for the purposes of the SFO.
- (2) Upon completion of the Rights Issue.

As at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than the Directors or the chief executive of the Company, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiaries of the Company, or any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2011, the date to which the latest published audited financial statements of the Group were made up.

There had been no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors are aware of, none of the Directors nor their respective associates was interested in any business apart from the Group's business which completes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to the GEM Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given their opinion or advice which are contained in this Prospectus:

Name	Qualification
BDO Limited	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its reports or opinions and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the placing agreement dated 16 November 2010 entered into between the Company and Orient Securities Limited in relation to the placing a maximum of 95,000,000 Shares by Orient Securities Limited;
- (b) the sale and purchase agreement dated 18 November 2010 entered into between Mr. Sin and the Company relating to the sale and purchase of 51% of the shares in the capital of Head Return Limited and 51% of the shares in the capital of Expand Pacific Limited and also the terms and conditions of the Convertible Bonds in the principal amount of HK\$121,500,000, in aggregate, convertible into 110,454,545 shares of HK\$0.01 each in the capital of the Company;
- (c) the placing agreement dated 18 November 2010 and the supplemental agreements dated 31 January 2011 and 31 March 2011 entered into between Orient Securities Limited as the placing agent and the Company in relation to the placing of up to 400,000,000 shares of HK\$0.01 each in the capital of the Company at a price to be agreed by the parties thereto subject to a minimum of HK\$1.1 per share on a best effort basis; and
- (d) the Underwriting Agreement.

11. CORPORATION INFORMATION

Registered office	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Head office and principal place of business in Hong Kong	Unit B, 2/F., Jone Mult Factory Building 169 Wai Yip Street Kwun Tong Kowloon Hong Kong
Principal banker	Hang Seng Bank Limited

Auditors	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Principal share registrar and transfer office in Bermuda	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Financial Adviser to the Company	Emperor Capital Limited 28th Floor Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Underwriter	Emperor Securities Limited 23rd-24th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong
Authorised Representatives	Miss Law Po Yee and Mr. Chow Kai Weng
Compliance Officer	Miss Law Po Yee
Company Secretary	Mr. Chan Man Hung Unit B, 2/F., Jone Muilt Factory Building 169 Wai Yip Street Kwun Tong, Kowloon Hong Kong
Legal Adviser to the Company	<i>As to Hong Kong law</i> Mason Ching & Associates Room 1803, 18/F, World-Wide House 19 Des Voeux Road, Central Hong Kong <i>As to Bermuda law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

12. PARTICULARS OF DIRECTORS

(a) Name and address of Directors

Name	Address
<i>Executive Directors</i>	
Miss Law Po Yee	House J44, Marina Cove 380 Hiram's Highway, Sai Kung, New Territories, Hong Kong
Mr. Chow Kai Weng	Room 806, Sau Wai House, Sau Mau Ping Estate, Kwun Tong, Kowloon, Hong Kong
Miss Sin Ho Yee	Flat G, 19/F., Tower 15, Ocean Shores, 88 O King Road, Tseung Kwan O, New Territories, Hong Kong
<i>Non-Executive Directors</i>	
Mr. Sin Kwok Lam	House J44, Marina Cove 380 Hiram's Highway, Sai Kung, New Territories, Hong Kong
Mr. Lam Kwok Hing Wilfred	Room C, 10/F, Kiu Hing Mansion, No. 14 King's Road, Tin Hau, Hong Kong
Mr. Li Sin Hung Maxim	Flat 14, 9/F., Block D, Ko Chun Court, Yau Tong, Kowloon, Hong Kong

Name	Address
<i>Independent Non-Executive Directors</i>	
Mr. Chan Tin Lup Trevor	Flat C, 7/F., Kong Lan House, 1156 Canton Road, Mongkok, Kowloon, Hong Kong
Mr. Chui Chi Yun Robert	Flat A, 2/F., Block 4 Braemar Hill Mansion, 21 Braemar Hill Road, North Point Hong Kong
Prof. Wong Lung Tak Patrick	Flat 6A, Cumine Court, 52 King's Road, North Point, Hong Kong

(b) Profiles of Directors and Company Secretary

Executive Directors

Miss Law Po Yee, aged 33, was appointed as the Vice Chairman of the Board on 26 October 2010, as an Executive Director of the Company on 5 August 2010 and as Chief Executive Officer of the Company on 9 May 2011. Miss Law has extensive experience in entertainment, artiste management and film production industries. Miss Law also has years of banking experience, specializing in risk management. Miss Law is the spouse of Mr. Sin.

Mr. Chow Kai Weng, aged 28, joined the Group in January 2010. Mr. Chow holds a bachelor degree of Arts in Marketing and Management with previous experiences in media and financial industries. Mr. Chow was appointed as Executive Director on 25 March 2011.

Miss Sin Ho Yee, aged 28, joined the Group in March 2011. Miss Sin holds a diploma of Mass Communication from the Melbourne Institute of Business and Technology Pty Ltd (MIBT). Miss Sin was appointed as Executive Director on 25 March 2011.

Non-Executive Directors

Mr. Sin Kwok Lam, aged 55, was appointed as the Chairman of the Board and the Executive Director of the Board on 31 May 2010. Mr. Sin was re-designated from an Executive Director to a Non-executive Director in October 2010. Mr. Sin has over 20 years' banking experience in various departments including Internal Audit, Finance, Risk Management and Business. Mr. Sin is an associate member of The Hong Kong Institute of Bankers, and he holds a master degree in Business Administration from Oklahoma City University, USA, a Certified Diploma in Accounting and Finance from The Chartered Association of Certified Accountants and a Graduate Diploma in Law Course from City University, London, UK. Mr. Sin is the Chairman and Executive Director of First Credit Holdings Company Limited (stock code: 8215).

Mr. Lam Kwok Hing, Wilfred, JP, aged 53, was appointed as the Non-executive Vice Chairman of the Board on 5 August 2010. He was re-designated from an Independent Non-executive Director to a Non-executive Director in February 2010. Prior to the re-designation, Mr. Lam has joined the Group since May 2009 as an Independent Non-executive Director. Mr. Lam has been appointed Justice of the Peace of the Hong Kong Special Administrative Region since 1999 and awarded Queen's Badge of Honour in January 1997. Mr. Lam holds a Bachelor's degree in Law with honours from the University of Hong Kong. He is a practising solicitor in Hong Kong and is a consultant lawyer of WT Law Offices. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong. Being an active member in social and charity activities, Mr. Lam is a Support Force Commander of the Civil Aid Service, Ex Officio Member of New Territories Heung Yee Kuk, Chairman of the Friends of the Community Chest (Kwai Tsing District), Honorary Advisor and Former Vice President of Junior Police Call (Kwai Tsing District), committee member of the Fight Crime Committee (Kwai Tsing District) and Director and Former Chairman of the Community Development Fund (Kwai Tsing District) in Hong Kong. He is also a member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province. He is an executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882); a non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145); an independent non-executive director of Value Convergence Holdings Limited (stock code: 821) and PME Group Limited (stock code: 379), the aforesaid companies are listed on the Main Board of the Stock Exchange.

Mr. Li Sin Hung Maxim, aged 41, worked for Cathay Pacific Airways Limited during the period from 1996-1998. After resigned from Cathay Pacific, Mr. Li continued his education in Boston and started food and beverage business and plastic resin trading business in the United States of America. In 2000, Mr. Li returned to Hong Kong and worked in HSBC, Federal Express Pacific Inc. and Midland Business Management Limited. Mr. Li is a current holder of Estate Agents Licence (Individual). Mr. Li was re-designated from an Executive Director to a Non-executive Director in May 2011. Prior to the re-designation, Mr. Li was an Executive Director since May 2009.

Independent Non-Executive Directors

Mr. Chan Tin Lup Trevor, aged 52, was born in Hong Kong and has been in the legal field for over 20 years. He received his law degree in England where he was awarded the Postgraduate Diploma in Laws (the Legal Practice Course) from the University of Wolverhampton. Apart from his law degree, he also obtained a bachelor degree in Chinese literature and history. Before he commenced his practice, he had worked with the Insolvency and Criminal Litigation Sections of the Legal Aid Department for 12 years. As for the public service, Mr. Chan was an honorary chairman and legal adviser of the Urban Services Staff Association (Tsuen Wan Welfare Section). He is a general practice lawyer but his practice is mainly in civil litigation, criminal litigation, judicial review, immigration and company matters. Mr. Chan is also an Independent Non-executive director of Sun International Group Limited (Stock Code: 8029). Mr. Chan was appointed as an Independent Non-executive Director in May 2009.

Mr. Chui Chi Yun Robert, aged 55, holds a Bachelor's degree in Commerce and is a practicing Certified Public Accountant in Hong Kong. Mr. Chui is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants. Mr. Chui is also an independent non-executive director of Tse Sui Luen Jewellery (International) Limited (stock code: 417) and was also an Independent Non-executive Director of 21 Holdings Limited (stock code: 1003) until his resignation in September 2011. Mr. Chui was appointed as an Independent Non-executive Director in May 2009. He is now currently the Commissioner of the Hong Kong Road Safety Patrol. He is a member of the Transport Advisory Committee and Road Safety and Traffic Management Sub-committee and the Chairman of the Transport Complaint Unit Sub-committee, within the Transport and Housing Bureau of the Hong Kong Special Administrative Region. He is also a director of a number of private companies and association.

Prof. Patrick Wong Lung Tak, *BBS, JP*, aged 64, has been an Independent Non-executive Director of the Company since 3 February 2010. Prof. Wong is a Certified Public Accountant (Practising) in Hong Kong and the Managing Practising Director of Patrick Wong CPA Limited. He has over 30 years experience in the accountancy profession. Prof. Wong holds a Doctor degree of Philosophy in Business, was awarded a Badge of Honour by the Queen of England in 1993 and was appointed a Justice of the Peace in 1998. He was also awarded a Bronze Bauhinia Star (BBS) by the Government of the HKSAR in 2010. He has been appointed Adjunct Professor, School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. Prof. Wong participates in many types of community services and is holding posts in various organisations and committees in government and voluntary agencies. Prof. Wong is an Independent Non-executive director of China Precious Metal Resources Holdings Co., Ltd., C C Land Holdings Limited, Water Oasis Group Limited, Sino Oil and Gas Holdings Limited, Galaxy Entertainment Group Limited, Guangzhou Pharmaceutical Company Limited, Real Nutraceutical Group Limited and Winox Holdings Limited, all of which are listed on the Main Board of the Stock Exchange.

Company Secretary

Mr. Chan Man Hung, aged 49, joined the Group as company secretary on 11 November 2011. He was admitted as a solicitor in Hong Kong in October 1996. Mr. Chan has more than 15 years of experiences in legal and corporate secretary area.

13. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the mandatory provisions in the Code on Corporate Governance Practices of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim report and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee consists of three independent non-executive Directors, namely Mr. Chui Chi Yun Robert, Prof. Wong Lung Tak Patrick and Mr. Chan Tin Lup Trevor. Mr. Chui is the chairman of the audit committee.

14. EXPENSES

The expenses in connection with the Right Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$11.97 million, which are payable by the Company.

15. DOCUMENTS REGISTERED WITH THE REGISTRAR OF COMPANIES IN HONG KONG AND BERMUDA

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to in the paragraph headed “Expert and Consent” in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has been delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act 1981 of Bermuda.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit B, 2/F., Jone Mult Factory Building, 169 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong during normal business hours on any business day from, the date of this Prospectus up to and including the date which is 14 days from the date of this Prospectus:

- (a) the memorandum of continuance and bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2010 and 2011, the interim report of the Company for the 6 months ended 30 June 2012 and the third quarter report for the 9 months ended 30 September 2012;
- (c) the Letter from the Board, the text of which is set out on pages 7 to 22 of this Prospectus;
- (d) the unaudited pro-forma financial information of the Group as set out in Appendix II to this Prospectus;
- (e) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix to this Prospectus;
- (f) the consent letter referred to in the paragraph under the heading “Experts and Consent” in this Appendix to this Prospectus; and
- (g) this Prospectus.