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

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

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

FINANCIAL RESULTS

The Board (the "Board") of Directors (the "Directors") of National Arts Entertainment and Culture Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue			
— Goods and services	5	**115,350**	144,403
— Rental	5	**35,066**	76,969
— Interest	5	**3,421**	—
Total revenue		**153,837**	221,372
Other income	5	**5,277**	867
Other losses	5	**—**	(12,965)
Impairment loss of financial assets	5	**(7,495)**	(10,502)
Net exchange (losses)/gains		**(42,712)**	47,809
Cost of film production		**(1,224)**	(1,210)
Staff costs	7	**(51,629)**	(69,186)
Depreciation of property, plant and equipment	7	**(63,247)**	(58,957)
Amortisation of land lease prepayments	7	**(13,757)**	(13,757)
Other operating expenses		**(92,212)**	(126,996)
Finance costs	6	**(227,330)**	(165,563)
Loss on fair value changes of convertible bond		**(2,521)**	(4,902)
Gain on fair value changes of investment properties		**—**	1,080
Impairment loss of land lease prepayment		**(71,473)**	—
Share of loss of an associate		**—**	(3)
Share of loss of a joint venture		**(1,072)**	(620)
Loss before income tax		**(415,558)**	(193,533)
Income tax expense	8	**—**	—
Loss for the year		**(415,558)**	(193,533)

	Notes	2018 HK$'000	2017 HK$'000
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Loss on revaluation of properties held for own use		**(28,637)**	(42,907)
Income tax credit relating to revaluation of properties held for own use		**7,159**	10,727
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of financial statements of foreign operations		**(56,582)**	72,371
Other comprehensive (expense)/income for the year, net of tax		**(78,060)**	40,191
Total comprehensive expense for the year		**(493,618)**	(153,342)
Loss for the year attributable to:			
Owners of the Company		**(415,556)**	(193,529)
Non-controlling interests		**(2)**	(4)
		(415,558)	(193,533)
Total comprehensive expense attributable to:			
Owners of the Company		**(493,616)**	(153,338)
Non-controlling interests		**(2)**	(4)
		(493,618)	(153,342)
Loss per share			
Basic and diluted	9	**(HK9.20 cents)**	(HK4.45 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,683,190**	1,779,208
Land lease prepayments		**371,074**	456,304
Investment in a joint venture		**5,328**	6,400
Long-term receivables and investment deposits		**92,555**	105,082
Pledged bank deposits		**2,278**	—
		2,154,425	2,346,994
Current assets			
Film products and film production in progress		**1,210**	2,420
Investments in films/dramas production		**1,311**	986
Trade receivables	10	**128,177**	125,595
Inventories		**2,928**	2,981
Prepayments, deposits and other receivables		**54,492**	81,472
Amount due from a joint venture		**2,414**	2,414
Assets classified as held for sales		—	34,780
Cash and bank balances		**13,474**	19,944
		204,006	270,592
Current liabilities			
Trade payables	11	**19,979**	25,666
Other payables and accruals		**83,771**	115,992
Bank overdrafts		—	8,416
Loans from shareholders		**4,090**	452,673
Borrowings		**138,400**	200,547
Finance lease obligation		**9,738**	7,153
Bonds		**660,424**	306,369
Convertible bond		—	106,697
Promissory note		—	83,991
Provision for income tax		**2,951**	2,951
		919,353	1,310,455
Net current liabilities		**(715,347)**	(1,039,863)
Total assets less current liabilities		**1,439,078**	1,307,131

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Loans from shareholders		**596,941**	51,387
Borrowings		**54,659**	20,655
Bonds		**362,895**	413,551
Promissory note		**106,477**	—
Finance lease obligation		**14,461**	15,478
Deferred tax liabilities		**158,470**	165,629
		1,293,903	666,700
Net assets		**145,175**	640,431
Capital and reserves			
Share capital		**451,716**	451,416
Reserves		**(306,773)**	188,781
Equity attributable to owners of the Company		**144,943**	640,197
Non-controlling interests		**232**	234
Total equity		**145,175**	640,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 November 2001 as an exempted company under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. On 14 October 2010, the Company deregistered in the Cayman Islands and continued in Bermuda as an exempted company under the laws of Bermuda with effect from 14 October 2010. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company's principal place of business in Hong Kong is at Rm. L&M, 21/F., Kings Wing Plaza, Phase 1, No.3 On Kwan Street, Shek Mun, Shatin, New Territories, Hong Kong.

The Company's shares are listed on GEM of the Stock Exchange. The Company is principally engaged in investment holding. The principal activities of the Group include film production and distribution, the provision of management services to artistes, event coordination, operations of film studio and hotel and provision of travel related products.

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

2. APPLICATION OF NEW AND REVISED TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

New HKFRSs and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of new standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time of which the followings are relevant to the Group's consolidated financial statements:

- HKFRS 9 — *Financial Instruments*;
- HKFRS 15 — *Revenue from Contracts with Customers* and amendments to HKFRS 15; and
- HK(IFRIC) 22 — *Foreign Currency Transactions and Advance Consideration*.

Except as described below, the application of the amendments to HKFRS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Application of HKFRS 9

HKFRS 9 has replaced HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances and business models that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity as of 1 January 2018.

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 3 to the consolidated financial statements. The Group did not designate or de-designate any financial asset at FVTPL at 1 January 2018.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	**New classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Reclassification**	**Remeasurement**	*Note*	**Carrying amount under HKFRS 9**
			HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
Trade receivable	Loan and receivable	Amortised cost	125,595	—	(7,673)	(a)	117,922
Other receivable and deposits	Loan and receivable	Amortised cost	160,752	—	—	(a)	160,752

Note:

(a) The amount represented additional impairment loss based on the new expected loss model under HKFRS 9. Please also see details disclosed in (ii) below.

(ii) Impairment

HKFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected credit loss model" to financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9.

	HK$'000	*HK$'000*
Loss allowance recognised as at 31 December 2017 and 1 January 2018 under HKAS 39		—
Additional loss allowance as a result of the application of the "expected credit loss model" under HKFRS 9		
— Trade receivables	—	(7,673)
Loss allowance recognised as at 1 January 2018 under HKFRS 9		(7,673)

(iii) Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss). The Group had the liabilities component of 9% convertible bonds in the principal amount of HK$300,000,000 (issued in 15 April 2015) as at financial liabilities at FVTPL on initial recognition. The application of HKFRS 9 as at 1 January 2018 does not have significant impact on the amount of the Group's reserve.

Other than the abovementioned, the application of HKFRS 9 in respect of financial liabilities' classification and measurement requirements has had no impact on the consolidated financial statements.

(iv) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in HKFRS 9 has not had any impact on the Group's consolidated financial statements.

(v) Effect on the Group's accumulated losses as of 1 January 2018

The following table shows the impact of the application of HKFRS 9 on the Group's accumulated losses as of 1 January 2018:

	Increase in the Group's accumulated losses
	HK$'000
Additional loss allowance as a result of the application of the "expected credit loss model" under HKFRS 9	
— Trade receivables	7,673
	7,673

Application of HKFRS 15

HKFRS 15 has replaced HKAS 11 Construction Contracts, HKAS 18 Revenue and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods was passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. Also, HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Please see note 3 for details of old and new accounting policies.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (i.e. 1 January 2018), if any. Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied HKFRS 15 requirements only to contracts that were not completed as at 1 January 2018.

Note 5 to the consolidated financial statements describes the nature of the Group's revenue.

With regards to "artiste management fee income", the Group, after assessing the specific facts and circumstances and the terms of the related contracts, concluded that the performance obligation to the customers under the arrangements entered into by the Group, the relevant artiste and the customers was to arrange and ensure the relevant artiste to be a spokesperson for the product/service of the customers during the contract period and hence the Group concluded that the Group merely acts as an agent during the contract period and hence revenue should be recognised on a net basis (i.e. the gross amount received or receivable from the customer net of amount paid or payable to the artiste). Under the old standard, revenue was recognised on a gross basis. Such a change does not affect the net profit recognised by the Group.

With regards to the "entrance fee income" from the sales of tickets of a film studio located in the People's Republic of China ("PRC"), the Group has arrangements with independent third parties to sell tickets on the Group's behalf. During the year ended 31 December 2018, the Group located a new ticket selling agent which the Group agreed with it that the credit term for payment was about 12 months after tickets are sold. Taking into account the abovementioned credit period, the Group determined that there was a significant financing component that was determined based on the difference between the agreed consideration and the amount of the consideration discounted using a discount rate that would be reflected in a separate financing transaction between the Group and the agent at contract inception (taking into account the length of credit period and credit characteristics of the agent receiving financing in the contract). The related interest income amounted to HK$3,421,000 for the year ended 31 December 2018 and was presented separately in the consolidated statement profit or loss.

Except as described above, the application of HKFRS 15 does not have other impact in respect of recognition and measurement of revenue on the consolidated financial statements.

Revenue amounts presented in note 4 for periods starting from 1 January 2018 have been updated to reflect the abovementioned change.

The table below shows the amount by which the financial statement line items have been affected in the current year by the application of HKFRS 15 as compared to the old standard (i.e. HKAS 18).

	Amounts reported under HKFRS 15 *HK$'000*	**Hypothetical amounts reported under superseded standards (HKAS 11 and HKAS 18)** *HK$'000*	**Difference** *HK$'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018/Consolidated statement of financial position as at 31 December 2018			
In respect of "artiste management income"			
— Revenue	344	665	(321)
— Other operating expenses	—	(321)	321
In respect of significant financing component arising from the abovementioned arrangements with ticket selling agents			
— Interest revenue	3,421	—	3,421
— Entrance fee income	54,423	60,438	(6,015)
— Ancillary service income	16,248	18,514	(2,266)

The differences are due to reasons described above.

New and revised HKFRSs in issue but not yet effective

The Group has not applied any of the following new and revised HKFRSs that are relevant to the Group that have been issued but are not yet mandatorily effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015–2017 Cycle[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020.
4 Effective for annual period beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2020.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$149,043,000. In addition, the Group currently considers refundable rental deposits paid of HK$3,034,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated loss without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, film studio and financial instruments that are measured at revalued amount or fair values at the end of each reporting period, as explained in the accounting policies below.

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$715,347,000 and the Group continued to incur a loss for the year of approximately HK$415,558,000. These conditions indicate that there may exist a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the existence of these indicators, the Directors are of the opinion that it is appropriate for the consolidated financial statements to be prepared on the assumption that the Group will continue to operate as a going concern. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors have adopted several measures, including the following:

(i) the Group has obtained an undertaking from certain shareholders of the Company, including the substantial shareholder, that they will provide sufficient funding to the Group, including but not limited to the disposal of their personal assets, to meet its financial obligations in full as they fall due for the period of twelve months from the date of this announcement;

(ii) on 13 February 2019, the Company entered into placing agreements with four placing agents, pursuant to which the Company has conditionally agreed to place through the placing agents, on a best effort basis, of up to 6,999,999,997 shares of the Company ("Placing Shares") in aggregate to not less than six placees by each placing agent at a price of HK$0.26 per Placing Share. Assuming the maximum number of the Placing Shares are placed by the placing agents, the net proceeds are estimated to be approximately HK$1,751.5 million. On 15 March 2019, the Company completed the placing of 428,769,230 Placing Shares at a price of HK$0.26 per Placing Share and the net proceeds, after deducting the related expenses, is approximately HK$104.5 million; and

(iii) subsequent to the end of the reporting period, the Company and certain bondholders mutually agreed to extend the maturity dates of the bonds with aggregate carrying amount of approximately HK$114,113,000 to 29 February 2020. In addition, the Company is in the process to negotiate with bondholders to extend maturity dates of the bonds with aggregate carrying amount of HK$243,310,000 upon its maturity.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from 31 December 2018. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

4. SEGMENT INFORMATION

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

Films production and distribution, sales of travel related products, artiste management and event coordination	—	Production and distribution of films, provision of travel related products, provision of management services to artistes and event coordination
Film studio operation	—	Operation of film studio
Hotel operation	—	Operation of hotel

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

Segment revenues and results

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

	Film production and distribution, sales of travel related products, artiste management and event coordination *HK$'000*	Film studio operation *HK$'000*	Hotel operation *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Year ended 31 December 2018					
Revenue from external customers	1,465	110,837	41,555	—	153,837
Inter-segment revenue	—	19	706	(725)	—
Reportable segment revenue	1,465	110,856	42,261	(725)	153,837
Segment result	(14,597)	1,754	(51,645)	—	(64,488)
Other income					2,994
Loss on exchange difference					(42,712)
Unallocated corporate expenses					(12,549)
Finance costs					(227,330)
Impairment loss on land lease					(71,473)
Loss before income tax					(415,558)

	Film production and distribution, sales of travel related products, artiste management and event coordination *HK$'000*	Film studio operation *HK$'000*	Hotel operation *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Year ended 31 December 2017					
Revenue from external customers	2,817	166,829	51,726	—	221,372
Inter-segment revenue	53	—	952	(1,005)	—
Reportable segment revenue	2,870	166,829	52,678	(1,005)	221,372
Reportable segment loss	(25,724)	57,577	(49,340)	—	(17,487)
Other income					867
Waiver of interest of convertible bond					(4,902)
Net losses on early settlement of convertible bonds					(1,570)
Gain on fair value changes of investment properties					(5,431)
Loss on fair value changes of convertible bond					1,080
Unallocated corporate expenses					(527)
Finance costs					(165,563)
Loss before income tax					(193,533)

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

Segment (loss)/profit represents the loss incurred by each segment without allocation of central administration costs including directors' salaries, loss on capitalisation of loan interest payables, loss on capitalisation of other payables, gain on fair value changes of investment properties, loss on fair value changes of convertible bond, waiver of interest of convertible bond, net losses on early settlement of convertible bonds, other income, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Film production and distribution, sales of travel related products, artiste management and event coordination *HK$'000*	Film studio operation *HK$'000*	Hotel operation *HK$'000*	Total *HK$'000*
At 31 December 2018				
Reportable segment assets	**14,337**	**1,444,421**	**868,964**	**2,327,722**
Property,plant and equipment				**15**
Cash and cash equivalents				**9,273**
Unallocated corporation assets				**21,421**
Consolidated assets				**2,358,431**
Reportable segment liabilities	**(5,100)**	**(69,794)**	**(23,192)**	**(98,085)**
Loans from shareholder				**(601,031)**
Borrowings				**(193,059)**
Bond				**(1,023,319)**
Promissory Note				**(106,477)**
Deferred tax liabilities				**(158,470)**
Provision for income tax				**(2,951)**
Unallocated corporate liabilities				**(29,864)**
Consolidated liabilities				**(2,213,256)**

	Film production and distribution, sales of travel related products, artiste management and event coordination *HK$'000*	Film studio operation *HK$'000*	Hotel operation *HK$'000*	Total *HK$'000*
At 31 December 2017				
Reportable segment assets	18,389	1,645,751	898,941	2,563,081
Property, plant and equipment				613
Cash and bank balances				16,384
Assets classified as held for sale				34,780
Unallocated corporate assets				2,728
Consolidated assets				2,617,586
Reportable segment liabilities	(6,126)	(88,672)	(24,722)	(119,520)
Loans from shareholders				(504,060)
Borrowings				(221,202)
Bonds				(719,920)
Convertible bond				(106,697)
Promissory note				(83,991)
Deferred tax liabilities				(165,629)
Provision for income tax				(2,951)
Unallocated corporate liabilities				(53,185)
Consolidated liabilities				(1,977,155)

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

— all assets are allocated to reportable segments other than corporate assets; and

— all liabilities are allocated to reportable segments other than corporate liabilities.

	Film production and distribution, sales of travel related products, artiste management and event coordination *HK$'000*	**Film studio operation** *HK$'000*	**Hotel operation** *HK$'000*	**Total** *HK$'000*
At 31 December 2018				
Depreciation of property, plant and equipment	**1,555**	**31,145**	**30,509**	**63,209**
Amortisation of land lease prepayments	**—**	**11,512**	**2,245**	**13,757**
Amortisation of film products	**1,224**	**—**	**—**	**1,224**
Additions to non-current assets	**63**	**63,025**	**356**	**63,444**
At 31 December 2017				
Depreciation of property, plant and equipment	1,764	28,194	28,798	58,756
Amortisation of land lease prepayments	—	11,512	2,245	13,757
Amortisation of film products	1,210	—	—	1,210
Additions to non-current assets	2,185	97,527	2,562	102,274

Geographical information

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

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

Information about major customer

Revenue from customer contributing over 10% of the total revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**52,370**[1]	N/A[2]
Customer B	**N/A**[2]	48,468[1]

[1] Revenue from film studio operation.

[2] The customer did not contribute over 10% or more to the Group's total revenue in the respective year.

5. REVENUE, OTHER INCOME, OTHER LOSSES AND IMPAIRMENT LOSS OF FINANCIAL ASSETS

Revenue and other income and other losses derived from the Group's principal activities recognised during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by major products or services lines:		
Artiste management fee income	**344**	929
Hotel room income	**13,432**	17,545
Food and beverage income	**26,365**	31,619
Entrance fee income	**54,422**	63,677
Event income	**—**	11,285
Films production and licensing income	**—**	912
Sales of travel related products	**1,121**	816
Sales of goods	**1,865**	2,355
Ancillary services	**16,248**	15,265
Consultation income	**1,553**	—
	115,350	144,403
Interest revenue that reflects significant financing granted to customers	**3,421**	—
Rental income	**35,066**	76,969
	153,837	221,372
Timing of revenue recognition:		
At a point of time	**83,773**	98,467
Over time	**31,577**	45,936
	115,350	144,403

	2018	2017
	HK$'000	*HK$'000*
Other income		
Bank interest income	**16**	13
Others	**5,261**	854
	5,277	867
Other losses		
Impairment losses of investments in films/dramas production	**—**	(5,775)
Loss on capitalisation of loan interest payables	**—**	(1,570)
Loss on capitalisation of other payables	**—**	(5,431)
Loss on disposal of an intangible asset	**—**	(79)
Loss on disposal of an associate	**—**	(110)
	—	(12,965)
Impairment loss of financial assets		
Impairment loss (recognised)/reversed on:		
— trade receivables	**297**	(13)
— other receivables	**(7,792)**	—
— interest receivables	**—**	(5,239)
— available-for-sale investment	**—**	(5,250)
	(7,495)	(10,502)

Disaggregation of revenue from contract with customers by the timing of revenue recognition and by geographic markets. Also, as described in note 2, the Group has applied HKFRS 15 for the first time for the current year and decided not to restate the comparative figure for the comparative period based on the specific transitional provisions set out in HKFRS 15.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance lease charges	**1,839**	2,171
Interest on bank overdrafts	**46**	364
Interest on bonds	**139,023**	83,025
Interest on promissory note	**10,348**	9,536
Interest on loans from shareholders	**53,308**	43,699
Interest on unsecured other borrowings	**8,493**	14,360
Interest on secured other borrowings	**13,775**	12,145
Interest on secured bank borrowings	**497**	263
	227,330	165,563

7. LOSS BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Auditors' remuneration	**850**	1,118
Amortisation of film products	**1,224**	1,210
Amortisation of land lease prepayments	**13,757**	13,757
Costs of inventories recognised as expenses	**443**	629
Depreciation of property, plant and equipment	**63,247**	58,957
Equity-settled share-based payments granted to consultants	**—**	9,581
Impairment losses of investment in films/dramas production	**—**	5,775
Net exchange losses/(gains)	**42,712**	(47,809)
Minimum lease payments under operating leases in respect of rented premises	**11,249**	12,521
Rental receivables from investment properties less direct outgoings	**—**	(149)
Employee benefit expenses (including directors' remuneration)		
— Salaries, allowances and benefits in kind	**40,545**	37,189
— Contributions to retirement benefits schemes	**11,084**	10,156
— Equity-settled share-based payments	**—**	21,841
	51,629	69,186

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as there were no assessable profits arising in or derived from Hong Kong for both years.

The PRC Enterprises Income Tax at 25% has not been provided as the PRC subsidiaries have available tax losses brought forward from previous years to offset the assessable profits generated during the year.

The PRC Enterprises Income Tax at 25% has not been provided as the PRC subsidiaries incurred losses for taxation purposes for the year ended 31 December 2017.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

Income tax recognised in other comprehensive income

	2018 ***HK$'000***	2017 *HK$'000*
Deferred tax		
Arising on expense recognised in other comprehensive income:		
Revaluation of properties held for own use	**(7,159)**	(10,727)
Total income tax credit recognised in other comprehensive income	**(7,159)**	(10,727)

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$415,556,000 (2017: approximately HK$193,529,000) and the weighted average of approximately 4,517,071,000 (2017: approximately 4,348,296,000) ordinary shares in issue during the year. Diluted loss per share for loss attributable to the owners of the Company for the years ended 31 December 2018 and 2017 was the same as basic loss per share because the impact of the exercise of the share options and convertible bonds are anti-dilutive.

10. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
— travel agents	**102,386**	66,824
— production crews	**23,382**	55,454
— others	**9,391**	5,317
	135,159	125,595
Less: allowance for credit losses	**(6,982)**	—
	128,177	125,595

The Group generally allows a credit period from 30 to 90 days (2017: 30 to 90 days) to its trade customers in respect of film production and distribution sales of travel related products, artiste management and event coordination and hotel operation. In respect of travel agent selling tickets of a film studio owned by the Group on behalf of the Group (such ticket agent was new for the year ended 31 December 2018) (referred to as "Ticket Selling Agent A), the credit period granted by the Group to the Ticket Selling Agent A was about 1 year from the date when the related revenue is recognised by the Group. The Group assessed and concluded that there was a significant financing component and hence the Group adjusted the promised consideration by using a discount rate that would be reflected in a separate financing transaction between the Group and the Ticket Selling Agent A. When the tickets are sold by Ticket Selling Agent A on behalf of the Group, the Group only recognised the consideration adjusted for the financing component as the revenue. The consideration allocated to the financing income is recognised as interest income over the credit period. The amount of interest income recognised for the year ended 31 December 2018 amounted to HK$3,421,000.

The Group in previous years had engaged another agent to sell tickets on behalf of the Group (referred to as "Ticket Selling Agent B"). During the year ended 31 December 2018, the Group entered into an arrangement with the Ticket Selling Agent B such that the Group agreed to extend the payment date for 12 months from the date of 31 August 2018 which, according to the arrangement, will be due for payment from December 2018 to July 2019. The Group considered that such an arrangement was a modification; the difference between the gross carrying amount of the receivable and the present value of the agreed cash flows discounted at the appropriate discount rate was recognised as a loss for the year ended 31 December 2018, amounting to HK$5,254,000. As at 31 December 2018, the carrying amount of the receivable from the Ticket Selling Agent B amounting to HK$40,809,000. Since the arrangement was entered into and up to the date when the consolidated financial statements were authorised for issue, the Ticket Agent B had payment of HK$15,500,000 in accordance with the arrangement. Accordingly, the Directors considered no additional impairment as at 31 December 2018 is necessary.

As at 31 December 2018, the Group had trade receivables from film production companies amounting to HK$23,382,000 (2017: HK$55,454,000). For the year ended 31 December 2018, an expected credit loss ("ECL") of HK$1,728,000 was recognised. The estimation of ECL was determined neither based on the best scenario nor the worst scenario. The Directors estimated the amount of ECL based on the expected amount and timing of payments. In general, an ECL is determined based on the present value of the difference between (a) the contractual cash flows that are due to the Group and (b) the cash flows expected to be received by the Group, at the appropriate discount rate. The adopted discount rate was taken into account the credit risk characteristics of such debtors.

Except for a customer arising from entrance fee income, whose credit term for payment was about 12 months after tickets are sold, the following is the ageing analysis of trade receivables, net of allowances for bad and doubtful debts, presented based on the invoice date:

	2018	2017
	HK$'000	*HK$'000*
0 to 60 days	**9,330**	40,669
61 to 90 days	**7,430**	19,906
91 to 180 days	**11,533**	37,129
Over 180 days	**99,884**	27,891
	128,177	125,595

As at 31 December 2017, trade receivables of approximately HK$60,575,000 were neither past due nor impaired. These balances related to certain customers whom there was no recent history of default.

As at 31 December 2017, included in the balances are debts with carrying amounts of approximately HK$65,020,000 which were past due at the reporting date for which the Group has not provided for impairment loss. Trade receivables that are past due but not impaired relate to a number of customers and the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The following is the ageing analysis of trade receivables which are past due but not impaired based on the due date:

	2017
	HK$'000
0 to 90 days	37,129
Over 90 days	27,891
	65,020

Movement on the Group's allowance for impairment of trade receivables are as follows:

	2017
	HK$'000
At 1 January	—
Impairment losses of trade receivables	13
Written offs	(13)
At 31 December	—

11. TRADE PAYABLES

The Group was granted by its suppliers' credit periods from 30 to 60 days (2017: 30 to 60 days). The following is the ageing analysis of trade payables based on invoice date:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**699**	3,154
31 to 60 days	**429**	68
61 to 90 days	**469**	14
91 to 180 days	**920**	1,048
Over 180 days	**17,462**	21,382
	19,979	25,666

12. DIVIDEND

No dividend has been proposed or declared by the Directors for the year ended 31 December 2018 (2017: Nil).

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the Independent Auditors' Report from the external auditors of the Company, Elite Partners CPA Limited:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$415,558,000 for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$715,347,000. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Xiqiao National Arts Studio Project

Located in Foshan City, Guangdong Province, the Group's Xiqiao National Arts Film Studio ("Studio") and National Arts Resort Hotel ("Hotel") (collectively the "Xiqiao National Arts Film Studio Project") has the view of Mount Xiqiao which is known as one of the national 5-star tourist attractions and has total developed land area of 444,000 square meters. There are unique film shooting areas throughout the Studio along with theme parks, hotel and performing arts complexes. The Studio incorporates tourism and recreational facilities that leads the Studio to become an international vacation resort in Guangdong Province.

During the year under review, the Studio successfully organised a number of events, including "Lunar New Year Celebration", "Summer Carnival", "The 3rd Hung Kuen Competition", "Halloween Party" and "Christmas Carnival". Among other events, the event "Summer Carnival" was held successfully for the first time and the number of visitors were approximately 680,000. Overall, the total attendances of the Studio in 2018 were approximately 1,000,000.

In addition, the Group has participated in several charity groups on education in 2018. The Studio cooperated with charitable organisations such as Caritas and Po Leung Kuk to organise study group events for students to participate and to explore different culture and film production in the Studio.

The Groups believes that the events held by the Group will effectively improve the brand awareness of the Studio and will push the Xiqiao National Arts Film Studio Project to the peak.

Travel

National Arts Travel Limited ("NA Travel") has been established and commenced its business since 2016. It provides cozy travel solution such as organising tailor-made travel itineraries for different organisations, groups and individuals. Besides traditional group tours, NA Travel launched a series of featured group tours to enhance customers' unique travel experience.

To enhance the comprehensive customer support, NA Travel has updated its inquiry and sales system in 2018. The system provides worldwide information on air tickets, hotels as well as travel insurance, transportation and visa application, thus strengthening the competitiveness of the Group in the market.

In addition, diversifying the current product lines helps building a brand-new image. In 2018, the Travel Industry Council of Hong Kong approved the establishment of the brand "Skyyer Travel" by NA Travel, "Skyyer Travel" presents a fresh brand image with the slogan "What Travel means is......you decide to go and take action! (旅遊就是......想閃。就閃)". "Skyyer Travel" is a brand under NA Travel which professionally designs "Tailor-made tours for sport, hobby and industry" and invites various celebrities to lead and guide in different tours. Moreover, "Skyyer Travel" is exploring special and exclusive tourist attractions and incorporates travel tours with specific subjects, such subject includes, golf, yoga, bicycle, darts, painting, dragon boat, diving, photography, religion, music, goodies marathon, etc.

Film Shooting Base

The film shooting base is the core project of the Xiqiao National Arts Film Studio Project. It covers 374,000 square meters of land, including a lake of 120,000 square meters and numbers of indoor and outdoor studios which are equipped with excellent and comprehensive ancillary facilities in order to provide the Southern China and foreign shooting crews the most realistic and delicate scenes.

By virtue of the extensive choices of scenes, supreme geographical location and multifunctional ancillary services, the film shooting base has been heavily used by the production crews. During the year of 2018, over 130 production crews filmed in the film shooting base.

Since 2017, the Group has taken the role of rental agent by entering into several rental agreements with a number of companies renting film shooting equipment. The partners provide the plentiful props, attires and high-tech shooting equipment including lots of ancient costumes of Ming and Qing dynasties, antique furniture, simulated ordnance and other performing props. It generate substantial revenue to the Group. Besides creating enormous synergistic effect for the Group, it also enhances the Group's capability of provision of ancillary services in respect of film shooting, and also facilitates centralization of the industry as well as strengthen the Group's competitiveness among its peers.

On 4 January 2018, Foshan Bureau of Culture, Publication, Radio, Film and Television (the "Bureau") approved a few wholly-owned subsidiaries of the Company to assist the Bureau in the operation and expansion (i) that would facilitate film enterprises from various regions moving into Foshan, policy presentation, solicitation of investment and funding as well as shooting, etc.; (ii) of digital studio and film location construction projects; and (iii) in respect of diversification of props and equipment portfolio, leasing and consolidation of props leasing business.

With the rapidly increase in the demand of film industry in recent years, the Group is actively developing the second phase development of the Studio ("Second Phase Project"). The Second Phase Project includes the building of indoor studio, which could raise the Group's current position in the film industry and enable the Group to develop into a world-known film shooting base in the foreseeable future.

The Group is the first enterprise designated by the Foshan Government to help building Foshan as the largest hub for props and equipment in Foshan, with focus on film and television industry, which boosted the reputation of the Group in the industry, thereby further consolidating the presence of the Studio in the film and television industry in Southern China.

Wedding Photography

The Group reached an agreement with a renowned domestic wedding photography chain group in the fourth quarter of 2013 to develop its new wedding photography business. Through which, the Group leased the Studio with an area of approximately 20 mu (13,333.33 square meters) for a term of 12 years and the wedding photography company invested RMB10 million for the construction of scenic spots in different styles such as European, Korean and Japanese styles and guarantee there will be at least 28,800 couples taking wedding photos in the scenic spots per year. The annual income of this arrangement will be no less than approximately RMB1.2 million starting from 2016.

In addition, the Group is negotiating with several jeweler, Chinese and western bakery, Chinese style wedding gown and wedding planning company in order to provide one-stop service for wedding couples. The Studio is expected to become a comprehensive wedding hot spot.

Hotel

The 5-star Hotel located next to the Studio provides 350 suites facilitated from deluxe suites to economic standard rooms. The Hotel is equipped with a variety of recreational facilities such as SPA, modern swimming pool and chess room. Apart from the recreation, the Hotel also provides catering services and commercial services such as business centre, meeting rooms and lecture halls, thereby satisfy essential needs and wants of the customers.

To boost high quality service, the Hotel wishes to build strong communication among its staff by organising group activities such as sport day, in order to educate the staff of the importance of team work and to raise spirit in the corporate environment.

Besides, the Hotel was awarded "Resort Hotel of the Year 2018" and "18th Golden Horse Award of China Hotel — Best Theme Hotel Resort of Greater Bay Area" which recognized the corporate management quality and service quality of the Hotel.

With the development of the Hotel and the Studio becoming mature and its popularity having increased, the number of tourists continuously grows. The Group expects to build boutique hotel in the foreseeable future.

Film Production

The Group spared no effort in promoting entertainment culture for many years such as production of and investment in movie, microcinema and online TV programme to promote the culture and the spirit of entertainment.

During 2016, the Group invested in the production of a charity film named "Our Days in 6E" (我們的6E班). The theme of "Our Days in 6E" is in line with the current social status, laden with educational significance as part of its social responsibility. The Group expects to invest more in production of films of various themes, thus, stepping forward to the diversified film market.

In addition, the Group held various courses from time to time to cultivate next generation film producers and actors in order to encourage the development of film production and contribute to the betterment of the film industry. With regard to the prospects of film production of the Group, the Group will step forward in respect of Hong Kong-Mainland film production and maintain a position in the film industry in Southern China.

Cinema

National Arts Films Production Limited ("NA Films"), an indirectly wholly-owned subsidiary of the Company, collaborated with its joint venture for the development of cinema business in a large shopping mall in a transportation hub area of Zhuhai, Guangdong, the PRC.

NA Films held 60% equity interest in the joint venture. The cinema boasts eight screens and a total of more than 730 seats, and have commenced its operation since May 2014 which supports further comprehensive development of the Group's entertainment and culture business.

Artiste Management

To enhance the popularity of the Group's artists such as Rose Chan and Brian Yuen, the Group has arranged a variety of performance opportunities including the participation in the charity movie, "Our Days in 6E" (我們的6E班), the online TV series "OCTB" (反黑), brand representative, dramas such as "Guardian Angel" (守護神之保險調查) and being the show host of the Lunar New Year Celebration, and the guest performers for the "New Year is A Game" (大玩特玩) and "Cooking Beauties' (美女廚房).

Besides, the Group also explores the PRC market for its artists and makes arrangement for them to participate in live reality show and online drama to enhance their popularity.

With the huge market of domestic movies, the Group will continue to recruit artists with potential in the future to cope with the demands in the vast market and expand the artiste management segment, hoping that it will become one of the major income sources of the Group.

FUTURE PROSPECT

Market Trends

According to the statistics published by The Guizhou Provincial Department of Culture and Tourism, during the 2019 Lunar New Year holidays, the gross tourism revenue in Guangdong Province was approximately RMB49,460 million, representing an increase of 16.9% compared with that in 2018.

The gross tourism revenue in Guangdong Province in the PRC continuously increased during the seven years period from 2012 (approximately RMB738,900 million) to 2018 (approximately RMB1,361,000 million). Guangdong Province ranked among the leaders in China in terms of gross tourism revenue.

On 21 March 2013, Motion Picture Association of America published an annual report that China has replaced Japan as the world's second largest film market after the United States, and this ranking has so far been maintained.

Following the reversal of the downward trend in 2017, China's film market has continuously grown in 2018, with the total box office revenue reached an even higher record of over RMB61 billion, representing an increase of 9.32% as compared to that in 2017. With the unprecedented breakthrough in box office and attendance rate, China's film market remained steady, with a view to becoming a major growth engine in global film market.

Further Development

Against the backdrop that China's film-induced tourism is at the development stage, the Group is committed to the further development of the Second Phase Project in order to compete with its peers in face of the upward trend in both tourism industry and film industry.

Over 130 shooting crews conducted filming in the Studio in 2018, which was 20% more than that in 2017. The Group believes that the Second Phase Project is essential and the Second Phase Project will include (i) the construction of indoor studios; (ii) cooperation with resourceful company in providing high-tech equipment, props, etc, and (iii) new boutique hotels. The Group expects that there will be more shooting crews to film in the Studio after the Studio being improved for the crews and tourists. Besides, the Studio will focus on education such as providing more tours to the students in the short term. In long term, the Group will consider building a film production school for giving opportunities to any person who is interested in and passionate about film industry such as post-production and actor training. Overall, the Group believes that better land use planning and provision of supporting facilities will allow the Studio to become a comprehensive film studio in the foreseeable future.

In recent years, tourism has experienced continuous growth. With the advent of the leisure era, the Group believes that film-induced tourism will present a more promising prospect, advancing in a direction characterized by diversified tourist attractions, individualized tourists, updated tourism contents and integrated planning and construction.

FINANCIAL REVIEW

Results

During the year under review, the Group recorded revenue of approximately HK$153.84 million, representing a decrease of approximately HK$67.5 million as compared to 2017. The revenue was mainly derived from the entrance fee income, and the crew rental income from the film production crews using the Group's film shooting base, while part of the revenue was generated from sales of goods, filming, ancillary services, the hotel in the PRC, and the artiste management and event coordination business in Hong Kong. Due to the revision of the tax computation methods by the State Administration of Taxation, the crew rental income has decreased to approximately HK$35.07 million in 2018 from approximately HK$76.97 million in 2017, representing a decrease of approximately HK$41.90 million. However, since the Studio has been developing film shooting base, and introducing high-tech shooting equipment and technology, it is believed that this may help the Group's business to recover in the future.

Staff costs for the year under review decreased to approximately HK$51.63 million from approximately HK$69.19 million in 2017. The decrease in staff costs was mainly attributable to the absence of equity-settled share-based payment expenses during the year under review as compared to such expenses of approximately HK$21.84 million in 2017.

Finance costs for the year under review increased to approximately HK$227.33 million from approximately HK$165.56 million in 2017. The increase in finance costs was mainly due to the increase in interests on bonds and loans from shareholders, though partly offset by the decrease in interest on unsecured other borrowings.

Other operating expenses for the year under review decreased to approximately HK$92.21 million from approximately HK$127 million in 2017. The decrease in other operating expenses was mainly due to the absence of equity-settled share-based payment expenses granted to consultants and increase in cost of scene setting in Film Studio.

For the year ended 31 December 2018, the Group recorded a net loss of approximately HK$415.56 million as compared to net loss of approximately HK$193.53 million for the year ended 31 December 2018. The increase in net loss was mainly due to the decrease in revenue and the increase in impairment loss of land lease prepayment, other operating expenses and finance cost.

Liquidity and Financial Resources

	2018	2017
	HK$'000	*HK$'000*
Current assets	**204,006**	270,592
Current liabilities	**919,353**	1,310,455
Current ratio	**22.2%**	20.6%

Current ratio as at 31 December 2018 was 22.2% (2017: 20.6%). As at 31 December 2018, the Group's total positive cash and cash equivalents amounted to approximately HK$13.47 million (2017: positive cash and cash equivalents approximately HK$11.53 million).

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$715,347,000 and the Group continued to incur a loss for the year of approximately HK$415,558,000. These conditions indicate that there may exist a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the existence of these indicators, the Directors are of the opinion that it is appropriate for the consolidated financial statements to be prepared on the assumption that the Group will continue to operate as a going concern. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the Directors have adopted several measures, including the following:

(i) the Group has obtained an undertaking from certain shareholders of the Company, including the substantial shareholder, that they will provide sufficient funding to the Group, including but not limited to the disposal of their personal assets, to meet its financial obligations in full as they fall due for the period of twelve months from the date of this announcement;

(ii) on 13 February 2019, the Company entered into placing agreements with four placing agents, pursuant to which the Company has conditionally agreed to place through the placing agents, on a best effort basis, of up to 6,999,999,997 shares of the Company ("Placing Shares") in aggregate to not less than six placees by each placing agent at a price of HK$0.26 per Placing Share. Assuming the maximum number of the Placing Shares are placed by the placing agents, the net proceeds are estimated to be approximately HK$1,751.5 million. On 15 March 2019, the Company completed the placing of 428,769,230 Placing Shares at a price of HK$0.26 per Placing Share and the net proceeds, after deducting the related expenses, is approximately HK$104.5 million; and

(iii) subsequent to the end of the reporting period, the Company and certain bondholders mutually agreed to extend the maturity dates of the bonds with aggregate carrying amount of approximately HK$114,113,000 to 29 February 2020. In addition, the Company is in the process to negotiate with bondholders to extend maturity dates of the bonds with aggregate carrying amount of HK$243,310,000 upon its maturity.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from 31 December 2018. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

Capital Structure and Gearing Ratio

The shares of the Company were listed on GEM of the Stock Exchange on 17 October 2002. The capital of the Company comprises only ordinary shares. As at 31 December 2018, 4,517,161,222 ordinary shares were issued and fully paid.

	2018		2017	
	Amount	**Relative**	Amount	Relative
	HK$'000	***%***	*HK$'000*	*%*
Bank overdrafts	**—**	**0%**	8,416	0.4%
Loans from shareholders	**601,031**	**28.7%**	504,060	21.8%
Borrowings	**193,059**	**9.2%**	221,202	9.6%
Bonds	**1,023,319**	**48.9%**	719,920	31.2%
Convertible bond	**—**	**0%**	106,697	4.6%
Promissory note	**106,477**	**5.1%**	83,991	3.6%
Finance lease obligation	**24,199**	**1.2%**	22,631	1.0%
Total borrowings	**1,948,085**	**93.1%**	1,666,917	72.2%
Equity	**145,175**	**6.9%**	640,431	27.8%
Total capital employed	**2,093,260**	**100%**	2,307,348	100%

The Group's gearing ratio (i.e. the total borrowings to the total capital employed) was approximately 93.1% as at 31 December 2018 (2017: 72.2%). If the bonds, convertible bond, promissory note and finance lease obligation as stated above were to be excluded, the underlying gearing ratio would be 37.9% as at 31 December 2018 (2017: 31.8%).

Foreign Exchange Exposure

The Group's reporting currency is expressed in HK$. For the year ended 31 December 2018, most of the transactions, assets and liabilities of the Group were denominated in HK$ and RMB. During the year under review, since the Group had both HK$ and RMB receipts and payments, the net RMB exposure was not significant. The Board considers that the Group's exposure to foreign exchange risk was not significant; therefore, no hedging transaction was made during the year.

Capital Commitments

As at 31 December 2018, the Group had the following capital commitments:

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for:		
Construction of properties	**63,514**	91,807
Authorised but not contracted for:		
Construction of properties *(Note)*	**341,686**	360,187

Note: Capital commitment for construction in properties related to capital commitment for construction of film studio and hotel in Foshan, the PRC. The authorised amount was approved by the Directors according to the land lease agreements signed between Lux Unicorn Limited, the wholly-owned subsidiary of the Company 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 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.

Future Plans for Substantial Investments or Capital Assets

With reference to the announcement of the Company dated 13 December 2017, Foshan Guohao Theme Park Management Company Limited (佛山市國昊景區管理有限公司) ("Guohao Theme Park"), a wholly-owned subsidiary of the Company, has entered into a subscription agreement with Guangdong Hongtu Guangdian Investment Co., Ltd. (廣東弘圖廣電投資有限公司) ("GD Hongtu"), pursuant to which GD Hongtu will make a capital injection of RMB20 million into the Guohao Theme Park, in respect of joint cooperation of the second phase development of the Studio (the "Second Phase Project"). The Second Phase Project is planned to have indoor studio and boutique hotel to be constructed next to the first phase of the Studio and the Hotel.

Save as disclosed above, the Group did not have any plan for substantial investments or capital assets.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 February 2019, the Company entered into two separate placing agreements ("GM Placing Agreements") with Quasar Securities Co., Limited and Oriental Patron Asia Limited (collectively the "GM Placing Agents") pursuant to which the Company has conditionally agreed to place up to 846,153,844 placing shares ("GM Placing Shares") and each of the GM Placing Agents has conditionally agreed to procure on a best effort basis, as placing agent, currently expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties of the Company to subscribe for up to 423,076,922 GM Placing Shares at a price of HK$0.26 per GM Placing Shares ("GM Placing").

The placing price ("GM Placing Price") of HK$0.26 per GM Placing Share represents (i) no discount or premium to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on 12 February 2019, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the GM Placing Agreement ("GM Lasting Trading Day"); and (ii) a premium of approximately 0.8% to the average closing price of approximately HK$0.258 per Share as quoted on the Stock Exchange for the last five consecutive trading days (including the GM Last Trading Day) immediately prior to the date of the GM Placing Agreements.

The aggregate nominal value of the maximum number of the GM Placing Shares under the GM Placing will be HK$84,615,384.4.

Completion of the GM Placing under the GM Placing Agreements is conditional upon: (a) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for listing of, and permission to deal in, the GM Placing Shares; and (b) all necessary consents and approvals required to be obtained on the part of the Company in respect of the GM Placing and the transactions contemplated thereunder having been obtained.

Reasons for and the benefits of the GM Placing

As at 31 December 2018, the unaudited cash and bank balances of the Group were approximately HK$15.7 million.

As disclosed in the interim report of the Group for the six months ended 30 June 2018, the total liabilities of the Group were approximately HK$2.1 billion as at 30 June 2018, among which, the Group recorded (i) loans from shareholders of an aggregate amount of approximately HK$609.0 million; (ii) borrowings of an aggregate amount of approximately HK$197.5 million; (iii) trade payables and other payables and accruals of an aggregate amount of approximately HK$80.3 million; (iv) bonds of an aggregate amount of approximately HK$871.5 million; and (v) promissory notes of an aggregate amount of approximately HK$104.6 million as at 30 June 2018.

Assuming the maximum number of the GM Placing Shares is placed under the GM Placing Agreements, the gross proceeds from the GM Placing will be approximately HK$220.0 million, and the net proceeds will be approximately HK$201.5 million (after deduction of commission and other expenses incurred in the Placing), representing a net issue price of approximately HK$0.24 per GM Placing Share. With reference to the financial position of the Group as mentioned above, it was expected that the net proceeds from the GM Placing, being approximately HK$201.5 million, will be utilised for the partial repayment of the principal and interests of bonds and borrowings of the Group.

As the majority of interest rates of the existing bonds, borrowings and loans from shareholders and directors range from approximately 6.0% to 15.0%, the financial cost derived from such debts represents a significant part of the total expense of the Group. As such, the Board was of the view that the abovementioned repayment would reduce the interest burden of the Group, improve the gearing ratio of Group and strengthen the financial position and profitability of the Group.

The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board considered that debt financing may further incur interest burden on the Group. On the other hand, rights issue or open offer may involve relatively substantial time and cost to complete as compared to the equity financing through the GM Placing. In addition, the GM Placing would strengthen the capital base of the Company.

As set out in the Company's announcement dated 15 March 2019, (1) all the conditions of the GM Placing have been fulfilled and the completion of the GM Placing took place on 15 March 2019; and (2) an aggregate of 428,769,230 GM Placing Shares have been successfully placed at the GM Placing Price of HK$0.260 per GM Placing Share pursuant to the terms and conditions of the GM Placing Agreements. The aggregate nominal value of the GM Placing Shares under the GM Placing is HK$42,876,923.

The 428,769,230 GM Placing Shares represent (i) approximately 9.5% of the issued share capital of the Company immediately before the completion of the GM Placing; and (ii) approximately 8.7% of the issued share capital of the Company as enlarged by the allotment and issue of the 428,769,230 GM Placing Shares.

The gross proceeds from the GM Placing is approximately HK$111.5 million, and the net proceeds from the GM Placing, after deducting the placing commission and other expenses in connection with the GM Placing from the gross proceeds, is approximately HK$104.5 million which is intended to be used for the partial repayment of the principal and interests of the bonds and borrowings of the Group.

The GM Placing Shares were allotted and issued pursuant to the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2018 to allot and issue up to 903,432,244 new Shares, and therefore the allotment and issue of the GM Placing Shares was not subject to any additional Shareholders' approval.

Further details of the GM Placing Agreements and the GM Placing are disclosed in the Company's announcements dated 13 February 2019 and 15 March 2019.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND INCREASE IN AUTHORISED SHARE CAPITAL

On 13 February 2019, the Company entered into a placing agreement ("SM Placing Agreement") with Emperor Securities Limited, Kingston Securities Limited and Oriental Patron Asia Limited (collectively the "SM Placing Agents"), pursuant to which the Company has conditionally agreed to place through the SM Placing Agents, on a best effort basis, of up to 6,153,846,153 placing shares ("SM Placing Shares") to currently expected to be not less than six placees who and whose ultimate beneficial owners shall be independent third parties of the Company at a price of HK$0.26 per SM Placing Share ("SM Placing"). The SM Placing Shares will be allotted and issued pursuant to the specific mandate to be sought at the special general meeting of the Company to be convened and held.

The placing price of HK$0.26 per SM Placing Share represents (i) no discount or premium to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on 12 February 2019, being the last day on which the Shares were traded on the Stock Exchange prior to the date of the SM Placing Agreement ("SM Lasting Trading Day"); and (ii) a premium of approximately 0.8% to the average closing price of approximately HK$0.258 per Share as quoted on the Stock Exchange for the last five consecutive trading days (including the SM Last Trading Day) immediately prior to the date of the SM Placing Agreement.

Assuming that there will be no change in the issued share capital of the Company between the date of the SM Placing Agreement and the completion date of the SM Placing, the maximum number of the SM Placing Shares represents (i) approximately 136.2% of the total number of Shares in issue as at the date of the SM Placing Agreement (i.e. 4,517,161,222 Shares); and (ii) approximately 57.7% of the total number of Shares in issue as enlarged by the SM Placing (assuming the maximum number of the SM Placing Shares is placed).

Completion of the SM Placing under the SM Placing Agreement is conditional upon: (a) the passing by the Shareholders of an ordinary resolution to approve the SM Placing Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the SM Placing Shares; (b) the passing by the Shareholders of an ordinary resolution to approve the proposed increase in the authorised share capital of the Company from HK$600,000,000 divided into 6,000,000,000 Shares to HK$2,000,000,000 divided into 20,000,000,000 Shares by the creation of an additional 14,000,000,000 new Shares ("Increase in Authorised Share Capital"); (c) the Listing Committee of the Stock Exchange granting or agreeing to grant the approval for listing of, and permission to deal in, the SM Placing Shares; and (d) all necessary consents and approvals required to be obtained on the part of the Company in respect of the SM Placing and the transactions contemplated thereunder having been obtained;

The SM Placing is subject to the Shareholders' approval. A special general meeting of the Company will be convened and held for the purposes of considering and, if thought fit, approving (i) the SM Placing Agreement and the transactions contemplated thereunder, including the grant of the specific mandate for the allotment and issue of the SM Placing Shares; and (ii) the Increase in Authorised Share Capital.

Reasons for and the benefits of the SM Placing

As disclosed in the interim report of the Group for the six months ended 30 June 2018, the total liabilities of the Group were approximately HK$2.1 billion as at 30 June 2018, among which, the Group recorded (i) loans from shareholders of an aggregate amount of approximately HK$609.0 million; (ii) borrowings of an aggregate amount of approximately HK$197.5 million; (iii) trade payables and other payables and accruals of an aggregate amount of approximately HK$80.3 million; (iv) bonds of an aggregate amount of approximately HK$871.5 million; and (v) promissory notes of an aggregate amount of approximately HK$104.6 million as at 30 June 2018.

The bonds of the Group of approximately HK$871.5 million as at 30 June 2018 consist of unsecured bonds. As at the date of the SM Placing Agreement, the outstanding principal of the total of 347 bonds were approximately HK$1.16 billion, among which 43.5% of the total principal amounts were short-term bonds due and/or will due by 31 May 2019 (the "Short-term Bonds").

The loan from shareholders of the Group of HK$609.0 million as at 30 June 2018 consist of the fixed loans of approximately HK$279.0 million and revolving loans of approximately HK$330.0 million. As at the date of the SM Placing Agreement, the outstanding principal for the total amount of 8 fixed loans and 5 revolving loans from shareholders were approximately HK$600.5 million in aggregate and repayable over one year but within two year.

The borrowings of Group of approximately HK$197.5 million as at 30 June 2018 consist of the clean loans of approximately HK$97.5 million and the secured loan of approximately HK$100 million. As at the date of the SM Placing Agreement, the outstanding principal for the said borrowings were approximately HK$189.6 million and repayable within one year. The trade payables and other payables and accruals of the Group of approximately HK$80.3 million as at 30 June 2018 consist of trade payable of approximately HK$20.5 million and the other payables and accruals of approximately HK$59.8 million.

As at the date of the SM Placing Agreement, the outstanding amount of the aforesaid was approximately HK$73.9 million. As at 31 December 2018 the unaudited cash and bank balances of the Group were approximately HK$15.7 million. The Directors considered that the Group's existing cash together with the cash generated from the Group's operation was not sufficient to meet the repayment of liabilities of the Group and therefore it was necessary to allocate the proceeds of the SM Placing for repayment of its liabilities.

Assuming the maximum number of the SM Placing Shares is placed under the SM Placing Agreement, the gross proceeds from the SM Placing will be approximately HK$1.60 billion, and the net proceeds will be approximately HK$1.55 billion (after deduction of commission and other expenses incurred in the SM Placing), representing a net issue price of approximately HK$0.252 per SM Placing Share. It is expected that the net proceeds from the SM Placing will be utilised for the following purposes:

(i) approximately HK$347.3 million for the partial repayment of the principal and interests of Short-term Bonds;

(ii) approximately HK$658.0 million for the repayment of the principal amounts and partial interests of the remaining bonds (as at the date of this announcement) of the Group;

(iii) approximately HK$296.5 million for the partial repayment of the principal and interests of loans from shareholders;

(iv) approximately HK$124.7 million for the partial repayment of the principal amount of borrowings;

(v) approximately HK$73.9 million for the repayment of trade payables and other payables and accruals; and

(vi) approximately HK$50.0 million for the construction of two indoor file studio for the Studio.

As the majority of interest rates of the existing bonds, borrowings and loans from shareholders range from approximately 6.0% to 15.0%, the financial cost derived from such debts represents a significant part of the total expense of the Group. As such, the Board was of the view that the abovementioned repayment would reduce the interest burden of the Group, improve the gearing ratio of Group and strengthen the financial position and profitability of the Group.

Given the rapid development of Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), the tourism industry of the Greater Bay Area is expected to become the focal point of development. As the Studio is located at the boundary line of the Greater Bay Area, it is expected to benefit from the strong momentum of the tourism development in the Greater Bay Area. Therefore, the Company was of the view that the development of the Studio would help the Company to capture potential growth and business opportunities in tourism industry and generate synergy effect to the Group's film studio operation in the long run, which is also in line with its business strategy of expansion of film-induced tourism business.

The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board considered that debt financing may further incur interest burden on the Group. Given the Group's current financial position and the above consideration, the Company considers that it would be difficult for the Group to obtain further debt financing at a reasonable cost and further debt financing would not be healthy to the long-term financial condition of the Group and therefore has not approached financial institutions for debt financing. On the other hand, rights issue or open offer may involve relatively substantial time and cost to complete as compared to the equity financing through the SM Placing. Moreover, the Directors considered that the rights issue or open offer may incur comparatively higher costs when compared with the Placing in relation to the engagement of reporting accountants and brokerage agent as well as underwriting commission which might in turn cause an adverse impact on the financial condition of the Group, and possibly require a relatively longer time period to complete in view of the relatively more stringent documentary requirements for pre-emptive issues such as preparation of a listing document, preparation of unaudited pro forma financial information to be included in the prospectus, application forms, registration requirements for a listing document and negotiation with the underwriter on the terms and conditions of the underwriting agreement. Accordingly, in view of the uncertainty in identifying interested underwriters with favourable terms and the comparatively longer period of time for completion, the Company does not consider pre-emptive issues (including rights issue and open offer) to be desirable alternatives to the SM Placing. In addition, the SM Placing would strengthen the capital base of the Company.

Further details of the SM Placing Agreements and the SM Placing are disclosed in the Company's announcement dated 13 February 2019.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 578 (2017: 487) staff based in the PRC and Hong Kong. The Group remunerates its employees based on their performances, experiences and the prevailing industry practices. In addition to basic salaries and mandatory provident fund, staff benefits including medical coverage scheme and share options are offered.

The Group's remuneration policy was reviewed periodically by the remuneration committee and the Board's remuneration is determined by reference to market terms, company performance, and individual qualifications and performance. The Group aimed to recruit, retain and develop competent individuals who were committed to the Group's long-term success and growth. Remunerations and other benefits of employees were reviewed annually in response to both market conditions and trends, and were based on qualifications, experience, responsibilities and performance.

The current remuneration of directors and key management is determined by the individuals performance and market trends.

During the year under review, the Group has not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective close associates had any interest, whether directly or indirectly, in a business which competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with sound and reasonable corporate governance practices and procedures with an aim of maximizing the shareholders' interests as well as to enhancing the stakeholders' transparency and accountability. In this respect, to the best knowledge of the Board, the Company has complied with all of the code provisions set out in the Corporate

Governance Code contained in Appendix 15 of the GEM Listing Rules ("Corporate Governance Code") then in force during the year ended 31 December 2018 except the followings:

As Mr. Chow Kai Weng serves as both the chairman ("Chairman") and the chief executive officer ("Chief Executive Officer") of the Company with effect from 13 June 2018, such practice deviates from the code provision A.2.1 of the Corporate Governance Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and enhance effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances.

REQUIRED STANDARD OF DEALINGS FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") in 2002 and as at the date of this announcement, the Audit Committee comprises two Independent Non-executive Directors, namely Mr. Chui Chi Yun Robert (Chairman) and Mr. Li Kit Chee.

Mr. Chan Tin Lup Trevor resigned on 1 July 2018 and Prof. Wong Lung Tak Patrick resigned on 1 January 2019. Following the resignation of Prof. Wong, the Company has only two independent non-executive Directors and two members of each of the audit committee, the remuneration committee and the nomination committee of the Board. This falls below the minimum number requirement under Rules 5.05(1) and 5.28 of the GEM Listing Rules. The Company is identifying a suitable candidate to fill the above vacancies.

During the year under review, the Audit Committee reviewed the Company's annual reports and financial statements, interim reports and quarterly reports and discussed with the management over issues relating to auditing, internal control and financial reporting. The Audit Committee also reviewed the audited financial results of the Group for the year ended 31 December 2018.

On behalf of the Board
National Arts Entertainment and Culture Group Limited
Chow Kai Weng
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 20 March 2019

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

Chairman, Executive Director and Chief Executive Officer:
Mr. Chow Kai Weng

Executive Directors:
Mr. Cheng Wang Chun
Mr. Ho Leung Ting

Non-executive Director:
Dr. Lam Lee G.

Independent Non-executive Directors:
Mr. Chui Chi Yun Robert
Mr. Li Kit Chee

This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published and remains on the Company's website at www.nationalarts.hk on the "Investor Relations" page.