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National Arts Group Holdings Limited
國藝集團控股有限公司

(Provisional Liquidators Appointed)

(For Restructuring Purposes)

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

(Stock Code: 8228)

SUPPLEMENTARY INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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.

References are made to (i) the announcement of National Arts Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 9 August 2021 in relation to the unaudited results for the six months ended 30 June 2021 (the “**Unaudited Interim Results Announcement**”);

MATERIAL DIFFERENCES BETWEEN THE INTERIM RESULTS IN THE UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM RESULTS IN THIS ANNOUNCEMENT

Taking into account that the financial information contained in the Unaudited Interim Results Announcement has not been audited and has not been agreed with the Company’s auditor as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to the material differences between the Interim results set out in the Unaudited Interim Results Announcement and the interim results disclosed in this announcement, the principal details and reasons for which pursuant to Rule 18.50A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) are set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	30-Jun-21 <i>HK\$'000</i> (Per 2020 Unaudited)	30-Jun-21 <i>HK\$'000</i> (Per 2020 Audited)	Change <i>HK\$'000</i>	<i>Explanatory Notes</i>
Revenue				
– Goods and services	61,324	61,324	–	
– Rental	2,695	2,695	–	
Total revenue	64,019	64,019	–	
Other income	2,646	2,646	–	
Staff costs	(12,355)	(12,355)	–	
Other operating expenses	(88,242)	(88,242)	–	
Operating loss	(33,932)	(33,932)	–	
Depreciation of property, plant and equipment	(20,160)	(12,262)	7,898	<i>(i)</i>
Depreciation of right-of-use-asset	(6,879)	(6,879)	–	
Net exchange gain	9,101	9,101	–	
Share of loss of a joint venture	(2,038)	(2,038)	–	
Impact on financial restructuring	–	–	–	
Finance costs	(61,125)	(61,125)	–	
Loss before income tax	(115,033)	(107,135)	7,898	
Income tax expenses	–	–	–	
Loss for the period	(115,033)	(107,135)	7,898	
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange difference on translation of financial statements of foreign operations	352	352	–	
Other comprehensive income/(expense) for the period, net of tax	352	352	–	
Total comprehensive income/(expense) for the period	(114,681)	(106,783)	7,898	

*Explanatory
Notes*

	30-Jun-21 HK\$'000 (Per 2020 Unaudited)	30-Jun-21 <i>HK\$'000</i> (Per 2020 Audited)	Change <i>HK\$'000</i>	
Loss for the period attributable to:				
Owners of the Company	(114,898)	(107,000)	7,898	
Non-controlling interests	(135)	(135)	–	
	<u>(115,033)</u>	<u>(107,135)</u>	<u>7,898</u>	
Total comprehensive income/(expense) for the period attributable to:				
Owners of the Company	(114,546)	(106,648)	7,898	
Non-controlling interests	(135)	(135)	–	
	<u>(114,681)</u>	<u>(106,783)</u>	<u>7,898</u>	
Loss per share				
Basic and diluted	<u>HK(1.45 cents)</u>	<u>HK(1.35 cents)</u>	<u>HK(0.10 cents)</u>	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	30-Jun-21 <i>HK\$'000</i> (Per 2020 Audited)	30-Jun-21 <i>HK\$'000</i> (Per 2020 Unaudited)	Change <i>HK\$'000</i>	<i>Explanatory Notes</i>
Non-current assets				
Property, plant and equipment	539,650	1,413,350	(873,700)	<i>(ii)</i>
Investment properties	99,029	99,029	–	
Investment in a joint venture	–	–		
Pledged bank deposits	2,396	2,396	–	
Right-of-use assets	341,958	339,650	2,308	<i>(iii)</i>
Long-term receivables and investment deposits	109,130	144,303	(35,173)	<i>(iv)</i>
	1,092,163	1,998,728	(906,565)	
Current assets				
Film products and film production in progress	4,854	4,442	412	
Investment in films/dramas production	325	325	–	
Trade receivables	9,230	83,597	(74,367)	<i>(v)</i>
Inventories	847	2,409	(1,562)	<i>(vi)</i>
Prepayment, deposits and other receivables	97,845	107,476	(9,631)	<i>(vii)</i>
Amount due from a joint venture	2,414	2,414	–	
Cash and bank balances	8,787	6,923	1,864	<i>(viii)</i>
	124,302	207,586	(83,284)	
Current liabilities				
Trade payables	40,331	40,331	–	
Investment in a joint venture	1,581	1,581	–	
Other payables and accruals	98,574	99,776	(1,202)	
Loans from shareholders	20,301	–	20,301	<i>(ix)</i>
Borrowings	49,940	–	49,940	<i>(ix)</i>
Lease liabilities	2,268	14,451	(12,183)	<i>(x)</i>
Promissory note	14,570	14,100	470	
Bonds	–	–		
Provision for income tax	2,951	2,951	–	
	230,516	173,190	57,326	
Net current assets/(liabilities)	(106,214)	34,396	(140,610)	
Total assets less current liabilities	985,949	2,033,124	(1,047,175)	

	30-Jun-21 <i>HK\$'000</i> (Per 2020 Audited)	30-Jun-21 <i>HK\$'000</i> (Per 2020 Unaudited)	Change <i>HK\$'000</i>	<i>Explanatory</i> <i>Notes</i>
Non-current liabilities				
Other payables and accruals	149,703	144,321	5,382	<i>(x)</i>
Borrowings	87,037	119,499	(32,462)	<i>(ix)</i>
Loans from shareholders	136,597	141,122	(4,525)	<i>(ix)</i>
Convertible bonds	891,016	891,016	–	
Promissory note	33,893	32,900	993	
Lease liabilities	34,045	18,010	16,035	<i>(x), (xi)</i>
Deferred tax liabilities	–	99,500	(99,500)	<i>(xii)</i>
	<u>1,332,291</u>	<u>1,446,368</u>	<u>(114,077)</u>	
Net assets/(liabilities)	<u>(346,342)</u>	<u>586,756</u>	<u>(933,098)</u>	
Capital and reserves				
Share capital	832,387	832,387	–	
Reserves	<u>(1,176,144)</u>	<u>(243,782)</u>	<u>(932,362)</u>	<i>(xii)</i>
Equity attributable to owners of the Company	<u>(343,757)</u>	588,605	(932,362)	
Non-controlling interests	<u>(2,585)</u>	<u>(1,849)</u>	<u>(736)</u>	
Total Equity	<u>(346,342)</u>	<u>586,756</u>	<u>(933,098)</u>	

Notes:

- (i) Decrease in depreciation of property, plant and equipment

Due to the impact of change in accounting policy from revaluation model to cost model, the depreciation of property plant and equipment was decreased by approximately HKD\$7.8 million.

- (ii) Impairment on the property, plant and equipment

The valuation exercise was commenced on 11 February 2021. However, due to the COVID-19 pandemic, the valuation process by the valuer was delayed until October 2021, thus, no impairment losses on PPE were recognized in the unaudited results of 2020.

The valuation was completed on 22 October 2021, which showed a decrease in the value in use of Film Studio. The impairment losses of HK\$372.1 million were recognized in the audited results of 2020.

(iii) Increase in right-of-use assets

The valuation report was completed on 22 October 2021. The valuation results affected the value of right-of-use assets. Therefore, adjustments were made according to the valuation results.

(iv) Impairment on other receivable and reallocation of account

Approximately HKD36 million of impairment losses on other receivable was recognized after the valuation was done on October 2021, and approximately HKD 1 million was reallocated from non-current to current account.

(v) Impairment loss of financial assets

Similar to the situation for PPE, the valuation of financial assets by the valuer was delayed until October 2021, so no impairment losses were recognized in the unaudited results of 2020.

(vi) Written off of Inventories

Since September 2020, the Hotel was assigned as designated quarantine hotel, and food and beverages services were suspended. The management originally considered that the frozen food and consumables were still useable at the time of preparing unaudited results of 2020 as they were optimistic that the Hotel would resume normal operation in short period of time. However, in September 2021, the Government further extended the period of being quarantine hotel. The management then decided to write off inventories of approximately HK\$1.7 million.

(vii) Reclassification of prepayment, deposits and other receivables

Reclassification of prepayment, deposits and other receivables to other payables and accruals account due to the classification error in unaudited results of 2020.

(viii) Understatement of cash and bank balances

Since the Foshan City was locked down due to the COVID-19 pandemic in March 2021, the management team could not conduct on-site visit to the PRC. As a result, the management team could not obtain the detailed breakdown and could only rely on initial documents and preliminary data to prepare the unaudited financial statements of 2020. The COVID-19 pandemic in Foshan eased off in September 2021. Then, the management visited the Hotel and the Film Studio, and found that some of accounts in the PRC for October 2020, November 2020 and December 2020 were omitted due to clerical error. The cash and bank balances in the unaudited results of 2020 were understated due to the situation.

(ix) Reclassification of borrowings to loan from shareholders

One of the Group's subsidiaries borrowed a revolving loan from Mr. Chow Kai Weng ("**Mr. Chow**"), the Chief Executive Officer, and it was classified as borrowings in unaudited results of 2020. However, the management reviewed the borrowing account and discovered that the loan should be reclassified to loan from shareholders because Mr. Chow is a shareholder of the Group, thus the adjustment was made.

(x) Reallocation of current to non-current account

As some of the creditors agreed to extend the debts for 18 months, approximately HK\$12 million of the lease liabilities and approximately HK\$5.3 million of other payable and accruals were reallocated from current to non-current account.

- (xi) Revaluation of lease liabilities

Approximately HK\$5 million of non-current lease liabilities was adjusted from the valuation.

- (xii) Differences in deferred tax liabilities and reserves

The difference mainly arose from the change in accounting policy in relation to hotel properties and film studio held by the Group from revaluation model to cost model. The deferred tax liabilities and properties revaluation reserve were adjusted due to the change in accounting policy. This change enables the Group to provide more relevant information in the financial statements about its performance.

CHANGE IN EQUITY AND CASH FLOWS

There are no material differences in changes in equity and cash flows between the interim results in the Unaudited Interim Results Announcement and the interim results in this announcement.

By order of the Board
National Arts Group Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)

Chow Kai Weng
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 17 March 2022

As at the date of this announcement, the executive Directors are Mr. Chow Kai Weng (Chairman and Chief Executive Officer), Mr. Cheng Wang Chun and Mr. Ho Leung Ting, the non-executive Director is Dr. Lam Lee G. and the independent non-executive Directors are Mr. Chui Chi Yun Robert, Mr. Li Kit Chee and Mr. Lam Kwok Hing Wilfred.

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 Stock Exchange's website at www.hkexnews.hk and on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.nationalarts.hk.