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## **CHINA NATIONAL CULTURE GROUP LIMITED**

### **中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 745)**

### **ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2014**

The board of directors (the “Board”) of China National Culture Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2014, together with the comparative figures, as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2014*

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Re-presented)
<b>Continuing operation</b>			
<b>Turnover</b>	4	<b>2,951</b>	6,677
<b>Cost of sales</b>		<u><b>(2,648)</b></u>	<u>(5,866)</u>
<b>Gross profit</b>		<b>303</b>	811
<b>Other revenue</b>	4	<b>86</b>	–
<b>Other income</b>	5	<b>8</b>	29,041
<b>Administrative expenses</b>		<b>(8,594)</b>	(7,279)
<b>Gain on disposal of subsidiaries</b>		<b>5,178</b>	25,930
<b>Impairment loss in respect of goodwill</b>		<b>(160,247)</b>	(92,651)
<b>Impairment loss in respect of available-for-sale financial asset</b>		<b>–</b>	(26,375)
<b>Impairment loss in respect of accounts receivable</b>		<u><b>(229)</b></u>	<u>–</u>
<b>Loss from operating activities</b>	5	<b>(163,495)</b>	(70,523)
<b>Finance costs</b>	6	<u><b>(26,418)</b></u>	<u>(17,793)</u>
<b>Loss before taxation</b>		<b>(189,913)</b>	(88,316)
<b>Taxation</b>	7	<u><b>(1,814)</b></u>	<u>–</u>

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i> (Re-presented)
<b>Loss after taxation from continuing operation</b>		<b>(191,727)</b>	(88,316)
<b><u>Discontinued operations</u></b>			
Loss for the year from discontinued operations	9	<u>(11,974)</u>	<u>(2,599)</u>
Loss for the year		<u>(203,701)</u>	<u>(90,915)</u>
<b>Attributable to:</b>			
Owners of the Company			
– From continuing operation		(191,727)	(87,282)
– From discontinued operation		<u>(11,974)</u>	<u>(2,599)</u>
		<u>(203,701)</u>	<u>(89,881)</u>
<b>Attributable to:</b>			
Non-controlling interests			
– From continuing operation		–	(1,034)
– From discontinued operation		<u>–</u>	<u>–</u>
		<u>–</u>	<u>(1,034)</u>
<b>Loss for the year</b>		<u>(203,701)</u>	<u>(90,915)</u>
<b>Loss per share</b>			
For loss for the year			
– Basic and Diluted ( <i>HK cents</i> )	10	<u>(5.51)</u>	<u>(1.01)</u>
For loss from continuing operation			
– Basic and Diluted ( <i>HK cents</i> )	10	<u>(5.18)</u>	<u>(0.98)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Re-presented)
<b>Loss for the year</b>	<b><u>(203,701)</u></b>	<b><u>(90,915)</u></b>
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	(368)	373
Reclassification adjustments upon disposal of subsidiaries during the year	<u>1,850</u>	<u>(2,465)</u>
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<b><u>1,482</u></b>	<b><u>(2,092)</u></b>
<b>Total comprehensive loss for the year</b>	<b><u>(202,219)</u></b>	<b><u>(93,007)</u></b>
Total comprehensive loss attributable to:		
– Owners of the Company	(202,219)	(91,981)
– Non-controlling interests	<u>–</u>	<u>(1,026)</u>
	<b><u>(202,219)</u></b>	<b><u>(93,007)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>371</b>	577
Goodwill	<i>11</i>	<b>410,260</b>	570,507
Available-for-sale financial asset		<b>165</b>	165
		<hr/> <b>410,796</b>	<hr/> 571,249
<b>Current assets</b>			
Accounts receivable	<i>12</i>	<b>1,460</b>	2,028
Prepayments, deposits and other receivables		<b>1,019</b>	10,908
Cash and cash equivalents		<b>2,183</b>	2,501
		<hr/> <b>4,662</b>	<hr/> 15,437
<b>Total assets</b>		<hr/> <b>415,458</b>	<hr/> 586,686
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital			
– Ordinary shares		<b>52,780</b>	31,238
– Non-voting convertible preference shares		<b>257,180</b>	401,800
Reserves		<b>(125,459)</b>	(74,456)
		<hr/> <b>184,501</b>	<hr/> 358,582
<b>Equity attributable to owners of the Company</b>		<hr/> <b>184,501</b>	<hr/> 358,582
<b>Non-controlling interests</b>		<hr/> –	<hr/> –
<b>Total equity</b>		<hr/> <b>184,501</b>	<hr/> 358,582

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other loan		<b>20,727</b>	–
Loans from shareholders		–	40,722
Promissory notes		<b>193,779</b>	173,158
		<u><b>214,506</b></u>	<u>213,880</u>
<b>Current liabilities</b>			
Loans from shareholders		–	400
Accounts payable	<i>13</i>	<b>35</b>	2,007
Other payables and accruals		<b>14,602</b>	11,817
Tax payable		<b>1,814</b>	–
		<u><b>16,451</b></u>	<u>14,224</u>
<b>Total liabilities</b>		<u><b>230,957</b></u>	<u>228,104</u>
<b>Total equity and liabilities</b>		<u><b>415,458</b></u>	<u>586,686</u>
<b>Net current (liabilities)/assets</b>		<u><b>(11,789)</b></u>	<u>1,213</u>
<b>Total assets less current liabilities</b>		<u><b>399,007</b></u>	<u>572,462</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

### 1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Room 901, Silver Fortune Plaza, 1 Wellington Street, Central, Hong Kong.

The Group was principally involved in providing the advertising media services.

In the opinion of directors, the Company's ultimate holding company is Huge Leader Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI") with limited liability.

### 2. Significant Accounting Policies and Basis of Preparation

#### 2.1 *Statement of compliance*

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### 2.2 *Basis of preparation*

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the liquidity of the Group. The Group had net current liabilities of approximately HK\$11,789,000 as at 31 March 2014. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In light of the above going concern indicators, the Group's directors had taken the following measures:

- (i) With reference to other loan amounted to approximately HK\$20,727,000 which has been included in the consolidated statement of financial position, a letter has been issued by the Company and received from the major creditor which confirm that it will not request repayment of such loan until its maturity date and such date has been extended to 30 September 2015;

- (ii) the major shareholder, Huge Leader Holdings Limited has confirmed in writing to provide continuing financial support to the Company and the Group to enable it to continue as a going concern to settle its liabilities when they fall due till 30 September 2015 and inclusive;
- (iii) With reference to the promissory notes payable of approximately HK\$193,779,000 as stated in the consolidated statement of financial position, the holders of promissory notes have confirmed in writing that they will not request repayment of any amounts accruing to them until their maturity dates and the maturity dates of the promissory notes have been extended to 30 September 2015 and inclusive.

Under these circumstances, the directors of the Company are of the view that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2014 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

### 2.3 *Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 March 2014*

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2013:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs 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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>5</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>3</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC)–Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>4</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016

### 3. Segment information

For the purposes of resources allocation and performance assessment, information is reported to the chief operating decision maker of the Company, based on the following operating and reportable segments:

- (a) the advertising segment which engages in advertising services together with (i) the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC; and (ii) the provision of advertising and value added services through mobile devices and digital media network of LCD and flat panel screens in retail chain network in Hong Kong;

The following operations have been discontinued during the year:

- (b) the building construction segment which engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors; and
- (c) the renovation, repairs and maintenance segment which engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors.



*Segment revenues and results*

The following is an analysis of the Group's revenue and results by operating segment:

	Continuing operations		Discontinued operations				Consolidated	
	Advertising		Building construction		Renovation, repairs and maintenance			
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Contract revenue from external customers	<u>2,951</u>	<u>6,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,951</u>	<u>6,677</u>
Segment results	<u>303</u>	<u>811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>303</u>	<u>811</u>
Interest income							-	-
Unallocated gains							94	29,792
Gain on disposal of subsidiaries							5,178	25,930
Impairment loss in respect of goodwill							(160,247)	(92,651)
Impairment loss in respect of available-for-sale financial asset							-	(26,375)
Central administration costs							<u>(20,759)</u>	<u>(10,551)</u>
Loss from operating activities							<u>(175,431)</u>	<u>(73,044)</u>
Finance costs							<u>(26,443)</u>	<u>(17,793)</u>
Loss before taxation							<u>(201,874)</u>	<u>(90,837)</u>
Taxation							<u>(1,827)</u>	<u>(78)</u>
Loss for the year							<u>(203,701)</u>	<u>(90,915)</u>

There were no inter-segment sales during the year (2013: Nil). Segment profit/(loss) represents the profit/(loss) earned/incurred without allocation of central administration costs including directors' salaries, investment and other income, gain on disposal of subsidiaries, gain on early extinguishment of promissory notes, impairment loss in respect of goodwill, impairment loss in respect of available-for-sale financial asset, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

*Segment assets and liabilities*

The following is an analysis of the Group's assets and liabilities by operating segment:

	Continuing operations				Discontinued operations				Consolidated	
	Advertising		Unallocated		Building construction		Renovation, repairs and maintenance			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	413,761	573,328	-	11,118	-	71	413,761	584,517		
Unallocated assets							1,697	2,169		
							<b>415,458</b>	<b>586,686</b>		
Segment liabilities	181,968	179,030	-	6,236	-	2,058	181,968	187,324		
Unallocated liabilities							48,989	40,780		
							<b>230,957</b>	<b>228,104</b>		

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

- all assets are allocated to reportable segments other than available-for-sale financial asset and unallocated head office and corporate assets.
- all liabilities are allocated to reportable segments other than current tax liabilities, loans from shareholders and unallocated head office and corporate liabilities.

*Other segment information*

	Continuing operations				Discontinued operations				Consolidated	
	Advertising		Unallocated		Building construction		Renovation, repairs and maintenance			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	36	1,106	149	122	9	5	-	16	194	1,249
Additions to non-current assets	46	35	77	-	-	-	-	4	123	39
Impairment loss in respect of accounts receivable	229	-	-	-	-	-	-	-	229	-
Impairment loss in respect of other receivables	-	-	-	-	10,436	-	-	-	10,436	-
Impairment loss in respect of goodwill	160,247	92,651	-	-	-	-	-	-	160,247	92,651
Impairment loss in respect of available-for-sale financial asset	-	-	-	26,375	-	-	-	-	-	26,375

## Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Hong Kong		The PRC		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue from external customers	<u>2,775</u>	<u>6,419</u>	<u>176</u>	<u>258</u>	<u>2,951</u>	<u>6,677</u>
Non-current assets*	<u>410,609</u>	<u>571,042</u>	<u>22</u>	<u>42</u>	<u>410,631</u>	<u>571,084</u>

\* Non-current assets exclude available-for-sale financial asset.

## Revenue from its major services

The Group's revenue from its major services was as follows:

	2014 HK\$'000	2013 HK\$'000
Advertising	<u>2,951</u>	<u>6,677</u>

## Information about major customer

During the year ended 31 March 2014, includes in revenue arising from provision of advertising services, no revenue arose from a single customer who contributed 10% or more to the Group's revenue. (2013: approximately HK\$900,000)

No other single customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

## 4. Turnover and other revenue

An analysis of turnover and other revenue is as follows:

	2014 HK\$'000	2013 HK\$'000 (Re-presented)
<b>Continuing operation</b>		
Turnover:		
Advertising income	<u>2,951</u>	<u>6,677</u>
Other revenue:		
Sundry income	<u>86</u>	<u>–</u>

## 5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Re-presented)
<b>Continuing operation</b>		
Auditors' remuneration	<b>550</b>	580
Depreciation	<b>185</b>	1,228
Staff costs (excluding directors' remuneration)		
– wages and salaries	<b>1,670</b>	985
– pension scheme contributions	<b>93</b>	41
	<b>1,763</b>	1,026
Minimum lease payments under operating leases:		
– Land and buildings	<b>139</b>	107
Exchange loss, net	<b>–</b>	389
And after crediting:		
Other income:		
Gain on waiver of loan from a shareholder	<b>8</b>	–
Gain on extinguishment of promissory notes financial liabilities	<b>–</b>	29,041
	<b>8</b>	29,041

## 6. Finance costs

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Re-presented)
<b>Continuing operation</b>		
Interest expense on amount due to a related party	1,480	95
Imputed interest expense arising from promissory notes wholly repayable within five years	<u>24,938</u>	<u>17,698</u>
	<u><b>26,418</b></u>	<u><b>17,793</b></u>

## 7. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the year ended 31 March 2014 (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Re-presented)
<b>Continuing operation</b>		
Under provision in prior years: – Hong Kong profits tax	<u>1,814</u>	<u>–</u>

## 8. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2014 (2013: Nil).

## 9. Discontinued operations

### *Disposal of building construction operation*

On 30 September 2013, the Group entered into a sale and purchase agreement to dispose its entire equity interest in Wing Hong Contractors Limited (“WH Contractors”) which carried out all of the Group’s building construction operation. The disposal of the building construction operation is consistent with the Group’s long term policy to focus more on business in the new media business. The disposal of WH Contractors was completed on 30 September 2013.

### *Disposal of renovation, repairs and maintenance operation*

On 30 September 2013, the Group entered into a sale and purchase agreement to dispose its entire equity interest in Wing Hong Interior Contracting Limited (“WH Interior”) which carried out all of the Group’s renovation, repairs and maintenance operation. The disposal of the renovation, repairs and maintenance operation is consistent with the Group’s long term policy to focus more on business in the new media business. The disposal of WH Interior was completed on 30 September 2013.

The results of building construction and renovation, repairs and maintenance operations for the year are presented below:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	–	–
Other revenue	–	751
Administrative expense	<b>(1,500)</b>	(3,272)
Impairment loss in respect of other receivables	<b>(10,436)</b>	–
	<hr/>	<hr/>
Profit/(loss) from operating activities	<b>(11,936)</b>	(2,521)
Finance cost	<b>(25)</b>	–
	<hr/>	<hr/>
Loss before taxation from discontinued operations	<b>(11,961)</b>	(2,521)
Taxation	<b>(13)</b>	(78)
	<hr/>	<hr/>
Loss after taxation from discontinued operations	<b>(11,974)</b>	(2,599)
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	<b>(11,974)</b>	(2,599)
	<hr/>	<hr/>

The loss from discontinued operations is arrived at after charging:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Depreciation	<b>9</b>	21
Staff cost (excluding director's remuneration)		
– wages and salaries	<b>623</b>	1,091
– pension scheme contributions	<b>35</b>	76
	<hr/>	<hr/>
	<b>658</b>	1,167
	<hr/>	<hr/>

*Cash flows from discontinued operations*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash used in operating activities	(47)	(3,323)
Net cash from investing activities	–	–
Net cash from financing activities	–	–
	<hr/>	<hr/>
Net cash outflow	<b>(47)</b>	<b>(3,323)</b>
	<hr/>	<hr/>
	<b>2014</b>	2013
Loss per share:		
Basic, from discontinued operations (HK cents)	<b>(0.33)</b>	(0.03)
Diluted, from discontinued operations (HK cents)	<b>(0.33)</b>	(0.03)
	<hr/>	<hr/>

The calculations of basic and diluted loss per share from discontinued operations are based on:

	<b>2014</b> <i>HK'000</i>	2013 <i>HK'000</i>
Loss attributable to ordinary equity holders of the Company from discontinued operation	<b>(11,974)</b>	(2,599)
	<hr/>	<hr/>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares	<b>3,698,382</b>	8,863,830
	<hr/>	<hr/>

**10. Loss per share attributable to owners of the Company**

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss:		
Loss for the year	<b>(203,701)</b>	(89,881)
Loss from continuing operation	<b>(191,727)</b>	(87,282)
	<hr/>	<hr/>
	<b>2014</b> <i>'000</i>	2013 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>3,698,382</b>	8,863,830
	<hr/>	<hr/>

Diluted loss per share for the years ended 31 March 2014 and 2013 were the same as basic loss per share as the loss per share is anti-dilutive.

## 11. Goodwill

	<i>HK\$'000</i>
Cost:	
At 1 April 2012	720,981
Disposals of subsidiaries	<u>(57,823)</u>
At 31 March 2013 and 2014	<u>663,158</u>
Accumulated impairment losses:	
At 1 April 2012	57,823
Disposal of subsidiaries	<u>(57,823)</u>
Impairment loss recognised for the year	<u>92,651</u>
At 31 March 2013 and 1 April 2013	92,651
Impairment loss recognised for the year	<u>160,247</u>
At 31 March 2014	<u>252,898</u>
Carrying amount:	
At 31 March 2014	<u>410,260</u>
At 31 March 2013	<u>570,507</u>

Pursuant to business acquisition of Huge Leader Development Limited and its subsidiaries, goodwill has been generated and which represents the benefit of expected synergy, revenue growth and future market development of Huge Leader Development Limited and its subsidiaries.

As at 31 March 2014, the Group determined the recoverable amount of cash generating unit (“CGU”) for advertising through mobile devices and retail chain to be approximately HK\$410,260,000. The directors of the Company has hired International Valuation Limited as their expert in deriving the value in use of the CGU. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period, and incorporated therein, a discount rate of 15.7%; in addition, those expected cash flows beyond five-year period did not contain any growth rate. As the recoverable amount of the CGU was below its carrying amount, an impairment loss of approximately HK\$160,247,000 has been recognised in profit or loss and presented separately in the consolidated statement of profit or loss.

The key assumptions used in value in use calculations for advertising are as follows:

- Budgeted market share and sales, average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes the planned market share growth and budgeted sales over the budget period is reasonably achievable.
- Budgeted gross margin is constant over the budgeted period.



## 12. Accounts receivable

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	<b>150</b>	393
31–90 days	–	490
91–180 days	<b>240</b>	375
Over 180 days	<b>1,299</b>	770
	<b>1,689</b>	2,028
<i>Less: Impairment loss in respect of accounts receivable</i>	<i>(229)</i>	–
	<b>1,460</b>	2,028

The Group allows an average credit period of 180 days for advertising customers. The movements in impairment loss in respect of accounts receivable were as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At the beginning of year	–	92
Impairment losses recognised on receivables	<b>229</b>	
Derecognised upon disposal of subsidiaries	–	(92)
At the end of year	<b>229</b>	–

Trade receivables above included amounts which are past due but not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable. The aged analysis of the Group's accounts receivable balances which are past due but not impaired is presented as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Over 180 days	<b>1,070</b>	770

## 13. Accounts payable

An aged analysis of the accounts payable as at the end of the reporting period, is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 30 days	–	255
31–90 days	–	375
91–180 days	–	59
Over 180 days	<b>35</b>	1,318
	<b>35</b>	2,007

As at 31 March 2014 and 2013, no retentions payable are included in accounts payable under current liabilities.

## **EXTRACT FROM AUDITORS' REPORT**

### **Basis for qualified opinion**

#### *Prior year's audit scope limitation affecting opening balance and comparative figures*

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2014 contained a disclaimer opinion on the limitation on the audit scope in relation to goodwill, recoverability of other receivable and arbitration. Details of which had been set out in the auditor's report dated 27 June 2013.

As the consolidated financial statements of the Group for the year ended 31 March 2013 formed the basis for the corresponding figures presented in the current year's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the above mentioned (i) goodwill; and (ii) recoverability of other receivable and arbitration would have a significant effect on the opening balances and consequential effect on the results and the related disclosures thereof for the year ended 31 March 2014.

#### *Qualified opinion arising from limitation of scope*

In our opinion, except for the effects of the matters described in the basis of qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### *Emphasis of matter*

Without further qualifying our opinion, we draw attention to the fact that the Group has net current liabilities of approximately HK\$11,789,000 as at 31 March 2014. These conditions along with other matters as set forth in notes to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

### **Reporting on matters under section 141(4) and 141(6) of the Hong Kong Companies Ordinance**

In respect alone of the matters described in the basis for qualified opinion's paragraph:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether proper books of account had been kept.

## **BUSINESS REVIEW**

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK\$2,951,000 (2013: HK\$6,677,000), representing a drop of 55.80% as compared with last year. Gross profit decreased to approximately HK\$303,000 (2013: HK\$811,000) or a decrease in profit margin from 12.15% to 10.27% over the last year. The decreases in turnover and gross profit in the current year were mainly due to unsatisfactory paid subscribers growth and decrease in customers of high profit margin respectively.

Loss attributable to the owners of the Company amounted to HK\$203,701,000 (2013: HK\$89,881,000) and loss per share for the year was HK5.51 cents (2013: HK1.01 cents). The significant increase in loss attributable to the owners of the Company as compared with last year was mainly due to several reasons. In addition to the decrease in turnover mentioned above, there were one-off gains in 2013 on early extinguishment of promissory notes amounted to HK\$29,041,000 accounted for as other income and on disposal of subsidiaries amounted to HK\$25,930,000. Due to unexpected adverse operating conditions of the food and beverage sector, goodwill on advertising at mobile devices and retail chain network has a significant provision of impairment loss amounted to HK\$160,247,000 (2013: HK\$92,651,000) for the year. On the contrary, there was an impairment loss in respect of available-for-sale financial assets in 2013 amounted to HK\$26,375,000 (2014: nil). Moreover, finance costs increased to approximately HK\$26,418,000 (2013: HK\$17,793,000) mainly due to increase in imputed interest expense arising from promissory notes.

### **Advertising business**

The turnover for the year was derived entirely from the advertising segment. Due to very challenging business environment, business of this segment has been slowed down as the food and beverage sector was suffered from keen competition and significant increases in operating costs like rental and wages. As a result, merchants have imposed severe cost control on budget of advertising which tremendously affecting the growth of paid subscribers of this segment.

## **FINANCIAL REVIEW**

As at the end of the year, non-current assets decreased to HK\$410,796,000 (2013: HK\$571,249,000) due to impairment loss in respect of goodwill on advertising at mobile devices and retail chain network. Current assets decreased as a result of decrease in prepayments, deposits and other receivables. Loans from shareholders amounted to HK\$20,727,000 included in non-current liabilities have been reallocated to "Other loan" following change in shareholding during the year. Promissory notes accounted for under non-current liabilities increased due to imputed interest expense.

### **Capital structure**

The Company has completed a placing of new ordinary shares with net proceeds amounted to approximately HK\$29,000,000 for the purposes of debts repayment and working capital. Non-voting convertible preference shares amounted to HK\$144,620,000 have been converted into ordinary shares during the year.

## **Liquidity and financing**

There were no bank borrowings as at 31 March 2014 (2013: nil). The Group's cash and bank deposits were approximately HK\$2,183,000 (2013: HK\$2,501,000).

The Group's gearing ratio, calculated by aggregate of amounts of other loan, loans from shareholders and promissory notes over total assets increased to 51.63% (2013: 36.52%).

## **Treasury policies**

Cash and bank deposits of the Group are mainly in Hong Kong dollars and Renminbi. The Group conducts its core business transactions mainly in Hong Kong dollars and Renminbi such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

## **Pledge of assets**

As at 31 March 2014, no asset of the Group was being pledged as there is no external financing (2013: nil).

## **Employee information**

As at 31 March 2014, the Group had 18 (2013: 17) employees whom are employed in Hong Kong and Mainland China. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

## **Prospects**

The Group will continue its existing mobile application business and plans to further focus on its new potential business, including new media market, advertising and film related business, such as film importation, distribution, production, and in the development and operation of film studio complex together with its ancillary services.

In coming partnership with China National Culture & Art Co. Ltd and I-marker Culture & Media Investment Limited, the Group plans to import and distribute foreign films in China.

In order to ensure the immediate ability to execute the importation and distribution of foreign films, the Group intends to set up a team engaged in film importation, distribution, and marketing as well as arranging potential cooperative partnerships with many cinema circuits to ensure our import films get timely, effective, and favourable cinema showing schedules so as to maximize their box office revenue.

By uniting concerted effort of staff, it is believed that the Group can optimize management efficiency and leverage on its unique strength.

Going forward, the Group will look for more potential investment opportunities to diversity its business scope.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 March 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

## **CODE ON CORPORATE GOVERNANCE**

The Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2014.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the year.

## **AUDIT COMMITTEE**

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. It has also reviewed the annual results for the year ended 31 March 2014.

On behalf of the Board  
**China National Culture Group Limited**  
**Shen Lihong**  
*Director*

Hong Kong, 27 June 2014

*As at the date of this announcement, the Board of Directors comprises Mr. Tan Bondy, Ms. Sun Wei and Ms. Shen Lihong as Executive Directors and Mr. Liu Kwong Sang, Dr. Wan Ho Yuen Terence, Ms. Wang Miaojun and Mr. Ma Qianli as Independent Non-Executive Directors.*