CNCG **CHINA NATIONAL CULTURE GROUP LIMITED**
中國國家文化產業集團有限公司
(Incorporated in Cayman Islands with limited liability)
(Stock code: 745)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2015

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 2015, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Continuing operations			
Turnover	4	**20,429**	2,951
Cost of sales		**(13,827)**	(2,648)
Gross profit		**6,602**	303
Other revenue	4	**3**	86
Administrative expenses		**(20,243)**	(8,594)
Other gains or losses	4	**(126,447)**	(155,290)
Loss from operating activities	5	**(140,085)**	(163,495)
Finance costs	6	**(17,280)**	(26,418)
Loss before taxation		**(157,365)**	(189,913)
Taxation	7	**(2,629)**	(1,814)

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Loss after taxation from continuing operations		**(159,994)**	(191,727)
Discontinued operations			
Loss for the year from discontinued operations	*9*	–	(11,974)
Loss for the year		**(159,994)**	(203,701)
Attributable to:			
Owners of the Company			
– From continuing operations		**(159,994)**	(191,727)
– From discontinued operations		–	(11,974)
		(159,994)	(203,701)
Loss per share			
For loss for the year			
– Basic and Diluted *(HK cents)*	*10*	**(2.14)**	(5.51)
For loss from continuing operations			
– Basic and Diluted *(HK cents)*	*10*	**(2.14)**	(5.18)
For loss from discontinued operations			
– Basic and Diluted *(HK cents)*	*9*	–	(0.33)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(159,994)**	(203,701)
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	**53**	(368)
Reclassification adjustments upon disposal of subsidiaries during the year	**–**	1,850
Other comprehensive income for the year, net of income tax	**53**	1,482
Total comprehensive loss for the year	**(159,941)**	(202,219)
Total comprehensive loss attributable to:		
– Owners of the Company	**(159,941)**	(202,219)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**381**	371
Goodwill	*11*	**264,000**	410,260
Available-for-sale financial asset		**–**	165
		264,381	410,796
Current assets			
Financial assets held for trading		**37,180**	–
Accounts receivable	*12*	**16,525**	1,460
Prepayments, deposits and other receivables		**803**	1,019
Cash and cash equivalents		**46,424**	2,183
		100,932	4,662
Total assets		**365,313**	415,458
EQUITY			
Capital and reserves			
Share capital			
– Ordinary shares		**98,144**	52,780
– Non-voting convertible preference shares		**–**	257,180
Reserves		**203,626**	(125,459)
Equity attributable to owners of the Company		**301,770**	184,501
Total equity		**301,770**	184,501

	Notes	**2015**	2014
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Other loan		–	20,727
Promissory notes		–	193,779
		–	214,506
Current liabilities			
Accounts payable	*13*	**735**	35
Other payables and accruals		**15,810**	14,602
Promissory notes		**43,877**	–
Tax payables		–	1,814
Deferred tax liabilities		**3,121**	–
		63,543	16,451
Total liabilities		**63,543**	230,957
Total equity and liabilities		**365,313**	415,458
Net current assets/(liabilities)		**37,389**	(11,789)
Total assets less current liabilities		**301,770**	399,007

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 and movie production and distribution business.

The consolidated financial statements are prepared in Hong Kong dollars (HK$), which is the same as the functional currency of the Company.

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

(a) Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

(b) New and revised Standards and Interpretations issued but not yet effective

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

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

[1] Effective for accounting periods beginning on or after 1 July 2014
[2] Effective for accounting periods beginning on or after 1 July 2014 with limited exceptions
[3] Effective for accounting periods beginning on or after 1 January 2016
[4] Effective for first annual financial statements beginning on or after 1 January 2016
[5] Effective for accounting periods beginning on or after 1 January 2017
[6] Effective for accounting periods beginning on or after 1 January 2018

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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 — provision of advertising and value added services through mobile devices;

(b) the movie production segment — production and distribution of films and provision of other film related services;

The following operations have been discontinued during the year ended 31 March 2014:

(c) 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

(d) 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					
	Advertising		**Movie production**		**Building construction**		**Renovation, repairs and maintenance**		**Consolidated**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Contract revenue from external customers	**6,054**	2,951	**14,375**	–	**–**	–	**–**	–	**20,429**	2,951
Segment results	**5,354**	303	**1,248**	–	**–**	–	**–**	–	**6,602**	303
Other revenue and unallocated gains									**45,148**	5,272
Corporate and other unallocated expenses									**(191,835)**	(169,070)
Finance costs									**(17,280)**	(26,418)
Loss before taxation									**(157,365)**	(189,913)
Taxation									**(2,629)**	(1,814)
Loss for the year from discontinued operations									**–**	(11,974)
Loss for the year									**(159,994)**	(203,701)

There were no inter-segment sales during the year (2014: Nil). Segment profit represents the profit earned 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					
	Advertising		**Movie production**		**Building construction**		**Renovation, repairs and maintenance**		**Consolidated**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**312,737**	413,761	**14,375**	–	**–**	–	**–**	–	**327,112**	413,761
Unallocated assets									**38,201**	1,697
									365,313	415,458
Segment liabilities	**43,332**	181,968	**–**	–	**–**	–	**–**	–	**43,332**	181,968
Unallocated liabilities									**20,211**	48,989
									63,543	230,957

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

- all assets are allocated to reportable segments other than financial assets held for trading and unallocated head office and corporate assets.

- all liabilities are allocated to reportable segments other than current tax liabilities and unallocated head office and corporate liabilities.

Other segment information

	Continuing operations						Discontinued operations					
	Advertising		Movie production		Unallocated		Building construction		Renovation, repairs and maintenance		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000	***HK$'000***	HK$'000
Depreciation	**28**	36	**–**	–	**153**	149	**–**	9	**–**	–	**181**	194
Additions to non-current assets	**191**	46	**–**	–	**–**	77	**–**	–	**–**	–	**191**	123
Impairment loss in respect of accounts receivable	**–**	229	**–**	–	**–**	–	**–**	–	**–**	–	**–**	229
Impairment loss in respect of other receivables	**–**	–	**–**	–	**550**	–	**–**	10,436	**–**	–	**550**	10,436
Impairment loss in respect of goodwill	**146,260**	160,247	**–**	–	**–**	–	**–**	–	**–**	–	**146,260**	160,247
Impairment loss in respect of available-for-sale financial asset	**165**	–	**–**	–	**–**	–	**–**	–	**–**	–	**165**	–

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	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**1,650**	2,775	**18,779**	176	**20,429**	2,951
Non-current assets*	**264,379**	410,609	**2**	22	**264,381**	410,631

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

Revenue from its major services

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

	2015	2014
	HK$'000	*HK$'000*
Advertising	**6,054**	2,951
Movie production and related income	**14,375**	–
	20,429	2,951

Information about major customer

Revenue from customer of the years ended 31 March 2015 and 2014 contributing over 10% of the total revenue of the Group are generated from movie production business and as follows:

	2015	2014
	HK$'000	*HK$'000*
Customer A	**14,375**	–

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2015 and 2014.

4. Turnover, other revenue and other gains or losses

An analysis of turnover, other revenue and other gains or losses is as follows:

	2015	2014
	HK$'000	*HK$'000*
Turnover:		
Advertising income	**6,054**	2,951
Movie production and related income	**14,375**	–
	20,429	2,951
Other revenue:		
Sundry income	**3**	86
Other gains or losses:		
Net unrealised gain on financial assets held for trading	**22,879**	–
Net realised loss on disposal of financial assets held for trading	**(6,539)**	–
Gain on waiver of loan from a shareholder	**–**	8
Gain on extinguishment of promissory notes	**22,266**	–
Gain on disposal of subsidiaries	**–**	5,178
Impairment loss in respect of accounts receivable	**–**	(229)
Impairment loss in respect of goodwill	**(146,260)**	(160,247)
Impairment loss in respect of available-for-sale financial asset	**(165)**	–
Net fair value losses on early redemption of promissory notes	**(18,078)**	–
Impairment loss in respect of other receivables	**(550)**	–
	(126,447)	(155,290)

5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Auditors' remuneration	**550**	550
Depreciation	**181**	185
Staff costs (excluding directors' remuneration)		
– equity-settled share option expenses	**5,854**	–
– wages and salaries	**1,661**	1,670
– pension scheme contributions	**53**	93
	7,568	1,763
Equity-settled share based payment		
– directors	**1,171**	–
– employees	**5,854**	–
– consultants	**4,684**	–
	11,709	–
Minimum lease payments under operating leases:		
– land and buildings	**59**	139

6. Finance costs

	2015	2014
	HK$'000	*HK$'000*
Interest expense on other loan	**431**	–
Interest expense on amount due to a related party	**–**	1,480
Imputed interest expense arising from promissory notes wholly repayable within five years	**16,849**	24,938
	17,280	26,418

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 2015 (2014: 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.

	2015	2014
	HK$'000	*HK$'000*
Over provision in prior years:		
– Hong Kong profits tax	**(492)**	–
Under provision in prior years:		
– Hong Kong profits tax	**–**	1,814
	(492)	1,814
Deferred tax	**3,121**	–
	2,629	1,814

8. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2015 (2014: 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 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 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:

	2015	2014
	HK$'000	*HK$'000*
Turnover	–	–
Administrative expense	–	(1,500)
Impairment loss in respect of other receivables	–	(10,436)
Loss from operating activities	–	(11,936)
Finance cost	–	(25)
Loss before taxation from discontinued operations	–	(11,961)
Taxation	–	(13)
Loss after taxation from discontinued operations	–	(11,974)
Attributable to:		
Owners of the Company	–	(11,974)

The loss from discontinued operations is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Depreciation	–	9
Staff cost (excluding director's remuneration)		
– wages and salaries	–	623
– pension scheme contributions	–	35
	–	658

Cash flows from discontinued operations

	2015	2014
	HK$'000	*HK$'000*
Net cash used in operating activities	–	(47)
Net cash from investing activities	–	–
Net cash from financing activities	–	–
Net cash outflow	–	(47)

	2015	2014
Loss per share:		
Basic, from discontinued operations (HK cents)	–	(0.33)
Diluted, from discontinued operations (HK cents)	–	(0.33)

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

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the Company from discontinued operations	–	(11,974)
	'000	*'000*
Weighted average number of ordinary shares	**7,459,308**	3,698,382

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:

	2015	2014
	HK$'000	*HK$'000*
Loss:		
Loss for the year	**(159,994)**	(203,701)
Loss from continuing operations	**(159,994)**	(191,727)

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,459,308**	3,698,382

Diluted loss per share for the years ended 31 March 2015 and 2014 were the same as basic loss per share as the loss per share is anti-dilutive.

11. Goodwill

	HK$'000
Cost:	
At 1 April 2013, 31 March 2014 and 2015	663,158
Accumulated impairment losses:	
At 1 April 2013	92,651
Impairment loss recognised for the year	160,247
At 31 March 2014 and 1 April 2014	252,898
Impairment loss recognised for the year	146,260
At 31 March 2015	399,158
Carrying amount:	
At 31 March 2015	264,000
At 31 March 2014	410,260

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 2015, the Group determined the recoverable amount of cash generating unit ("CGU") for advertising through mobile devices and retail chain to be approximately HK$264,000,000 (2014: 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 13.92% (2014: 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$146,260,000 has been recognised in profit or loss included in other gains or losses (2014: HK$160,247,000).

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**14,975**	150
31–90 days	**1,050**	–
91–180 days	**500**	240
181–365 days	**–**	1,299
Over 365 days	**229**	–
	16,754	1,689
Less: Impairment loss in respect of accounts receivable	**(229)**	(229)
	16,525	1,460

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:

	2015	2014
	HK$'000	*HK$'000*
At the beginning of year	**229**	–
Impairment losses recognised on receivables	**–**	229
At the end of year	**229**	229

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:

	2015	2014
	HK$'000	*HK$'000*
Over 180 days	**–**	1,070

13. Accounts payable

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

	2015	2014
	HK$'000	*HK$'000*
181–365 days	**700**	35
Over 365 days	**35**	–
	735	35

14. Comparatives

Certain comparative amounts has been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2015, the Group recorded a turnover of approximately HK$20,429,000 (2014: HK$2,951,000), representing an increase of 592.27% as compared with last year. The increase in turnover in the current year mainly because the Group started to get involve in movie production business segment since January 2015 and increase in customers in advertising segment. Gross profit increased to approximately HK$6,602,000 in the current year (2014: HK$303,000). The gross profit margin increased to 32.32% in the current year from 10.27% over the year ended 31 March 2014. The increase in gross profit margin was mainly because the Group focus on those services which has higher profit margin in the advertising segment.

Loss attributable to the owners of the Company amounted to approximately HK$159,994,000 (2014: HK$203,701,000) and loss per share for the year was HK2.14 cents (2014: HK5.51 cents). Apart from the increase in gross profit, the Group also recorded unrealised gain on financial assets held for trading and gain on extinguishment of promissory notes financial liabilities amounted to approximately HK$22,879,000 (2014: Nil) and HK$22,266,000 (2014: Nil) respectively. Moreover, finance costs decreased to approximately HK$17,280,000 (2014: HK$26,418,000) as the Group has early redemption on part of the promissory notes during the year. Besides, impairment loss on goodwill recognised was decreased to approximately HK$146,260,000 (2014: HK$160,247,000) for the year. On the contrary, the Group recognised an equity-settled share based payment amounted to approximately HK$11,709,000 (2014: Nil) as the Company has issued share options to directors, employees and consultants during the year.

Financial Review

As at the end of the year, non-current assets decreased to approximately HK$264,381,000 (2014: HK$410,796,000) due to impairment loss in respect of goodwill. Current assets increased due to the increase in financial assets held for trading and the increase in cash and cash equivalents. Total liabilities was decreased as the Group has early redemption on part of the promissory notes and settlement of other loan during the year.

Capital structure

(i) *Placing*

During the year ended 31 March 2015, the Company has completed a top-up placing of existing shares and top-up subscription of new shares ("Top-Up Placing and Top-Up Subscription") with actual net proceeds amounted to approximately HK$207,990,000 for the purposes of (i) debts repayment (approximately HK$150,000,000), (ii) development of its movie and media operation (approximately HK$40,000,000), and (iii) general working capital (approximately HK$17,990,000).

As at the date of this announcement, the actual net proceeds raised from the Top-Up Placing and Top-Up Subscription have been fully utilized as intended uses except that approximately HK$27,000,000 has not yet been utilised and remains in the bank for development of its movie and media operation.

(ii) *Convertible preference shares*

The non-voting convertible preference shares amounted to HK$257,180,000 have been converted into ordinary shares during the year.

(iii) *Share option*

During the year ended 31 March 2015, 153,383,000 share options were granted to 10 individuals to subscribe for ordinary shares, under the share option scheme of the Company adopted on 6 September 2004 and refreshed on 29 August 2008, and 153,380,000 share options were exercised for new ordinary shares at HK$0.375 per share, amounted for HK$57,517,500.

Liquidity and financing

There were no bank borrowings as at 31 March 2015 (2014: Nil). The Group's cash and bank deposits were approximately HK$46,424,000 (2014: HK$2,183,000). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets increased to 12.01% (2014: 51.63%).

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 2015, no asset of the Group was being pledged as there is no external financing (2014: Nil).

Employee information

As at 31 March 2015, the Group had 14 (2014: 18) 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.

Prospect

The Group has received positive reviews on its catering business mobile platform and planned to continue to expand its services offerings and geographical coverage based on its established foundation and/or inorganic growth, if any when appropriate. Seeing the irreversible trend that new media is the growing power in mass media sector and is exerting great impact to the market landscape, the Group will continue its venture in the mobile applications business as well as look for opportunities to extend into other potential businesses such as new media marketing, advertising, e-commerce and culture, movie and entertainment-related businesses.

The Group is actively pursuing opportunities in investment in the culture, movie and entertainment-related businesses, in particular, import and/or distribution of films in China. Through the dedicated team to operate in film importation, distribution, and marketing, the Group is identifying possible investment opportunities in the industry, including but not limited to, film production and distribution in Hong Kong and China. The Board considers that these investments require substantial capital which may exert pressure on the liquidity and profitability of the Group as a result of the relevant finance costs.

The Group has been witnessing the current process of opening up of the culture, entertainment and movie market in Mainland China, and the Group believes there are good potential and promising prospects in the respective businesses contemplated by the Group.

In view of the positive growth of consumers' on-line buying pattern, the Group has decided to embark on its e-commerce business to sell lady's apparel on-line. In preparation for the Group's e-commerce business operation, recently, the Group has purchased a system known as "Multi Market Place Sales & Inventory System" totalling approximately HK$2 million and is in the process of acquiring a server platform for an estimated amount of HK$10 million.

Looking forward, ongoing financial market turmoil and challenging operating environment notwithstanding, the Group will strive to closely monitor and timely identify any investment opportunities that may arise in the areas of culture and entertainment, new media, mobile applications, e-commerce, advertising etc.. The management of the Group is committed to look for business opportunities that would generate long-term returns to its shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2015, 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 2015 except rule A.4.1 that non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company, and rule A.6.7 that independent non-executive Directors did not attend all general meetings.

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 2015.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website and the Company's website in due course. Printed copies of 2015 annual report of the Company will be despatched to shareholders of the Company and available on the aforesaid websites in due course.

APPRECIATION

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board
China National Culture Group Limited
SUN Wei
Director

Hong Kong, 29 June 2015

As at the date of this announcement, the Board comprises Ms. SUN Wei and Ms. SHEN Lihong as Executive Directors, and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. CHEUNG Lai Chun as Independent Non-Executive Directors.