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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

INTERIM RESULTS

The board (“Board”) of directors (“Directors”) of China National Culture Group Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2015 together with the comparative unaudited figures for the corresponding period in 2014. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee (“Audit Committee”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	5	10,238	1,904
Cost of sales		<u>(6,417)</u>	<u>(700)</u>
Gross profit		3,821	1,204
Other income	5	621,978	22,266
Administrative expenses		<u>(3,796)</u>	<u>(16,559)</u>
Profit from operating activities	6	622,003	6,911
Finance costs	7	<u>(12,324)</u>	<u>(12,270)</u>
Profit/(loss) before taxation		609,679	(5,359)
Taxation	8	<u>(102,934)</u>	<u>—</u>
Profit/(loss) for the period		<u>506,745</u>	<u>(5,359)</u>
Attributable to:			
— Owners of the Company		506,745	(5,359)
— Non-controlling interests		<u>—</u>	<u>—</u>
		<u>506,745</u>	<u>(5,359)</u>
			(Restated)
Earnings/(loss) per share	10		
For profit/(loss) for the period			
— basic and diluted (HK cents)		<u>9.04</u>	<u>(0.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>506,745</u>	<u>(5,359)</u>
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	<u>6</u>	<u>77</u>
Other comprehensive income for the period, net of income tax	<u>6</u>	<u>77</u>
Total comprehensive income/(loss) for the period	<u>506,751</u>	<u>(5,282)</u>
Attributable to:		
— Owners of the Company	506,751	(5,282)
— Non-controlling interests	<u>—</u>	<u>—</u>
	<u>506,751</u>	<u>(5,282)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

		At 30 September 2015 <i>Notes</i> HK\$'000 (Unaudited)	At 31 March 2015 <i>HK\$'000</i> <i>(Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,312	381
Goodwill		264,000	264,000
		<u>269,312</u>	<u>264,381</u>
Current assets			
Financial assets held for trading	12	704,194	37,180
Accounts receivable	13	24,413	16,525
Prepayments, deposits and other receivables		2,408	803
Inventories		2,750	—
Cash and cash equivalents		396,338	46,424
		<u>1,130,103</u>	<u>100,932</u>
Total assets		<u>1,399,415</u>	<u>365,313</u>
EQUITY			
Capital and reserves			
Share capital	15	196,288	98,144
Reserves		1,092,516	203,626
Total equity		<u>1,288,804</u>	<u>301,770</u>

		At 30 September 2015 <i>Notes</i> HK\$'000 (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
LIABILITIES			
Current liabilities			
Accounts payable	14	735	735
Other payables and accruals		3,821	15,810
Promissory notes		–	43,877
Tax payable		522	–
Deferred tax liabilities	17	105,533	3,121
		<u>110,611</u>	<u>63,543</u>
Total liabilities		<u>110,611</u>	<u>63,543</u>
Total equity and liabilities		<u>1,399,415</u>	<u>365,313</u>
Net current assets		<u>1,019,492</u>	<u>37,389</u>
Total assets less current liabilities		<u>1,288,804</u>	<u>301,770</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Attributable to owners of the Company							Total equity HK\$'000
	Ordinary shares HK\$'000	Share premium HK\$'000	Non-voting convertible preference shares HK\$'000	Capital reserve HK\$'000	Exchange translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2015	98,144	851,180	—	9,800	(235)	—	(657,119)	301,770
Profit for the period	-	-	-	-	-	-	506,745	506,745
Other comprehensive income for the period	-	-	-	-	6	-	-	6
Total comprehensive income for the period	-	-	-	-	6	-	506,745	506,751
Issue of shares upon open offer	98,144	382,139	-	-	-	-	-	480,283
At 30 September 2015	196,288	1,233,319	-	9,800	(229)	-	(150,374)	1,288,804
At 1 April 2014	52,780	362,154	257,180	9,800	(288)	-	(497,125)	184,501
Loss for the period	-	-	-	-	-	-	(5,359)	(5,359)
Other comprehensive income for the period	-	-	-	-	77	-	-	77
Total comprehensive income/(loss) for the period	-	-	-	-	77	-	(5,359)	(5,282)
Grant of share options	-	-	-	-	-	11,709	-	11,709
Issue of shares upon conversion of convertible preference shares	18,628	111,768	(130,396)	-	-	-	-	-
Issue of shares upon exercise of share options	1,534	67,692	-	-	-	(11,709)	-	57,517
Placing of shares	7,090	200,895	-	-	-	-	-	207,985
At 30 September 2014	80,032	742,509	126,784	9,800	(211)	-	(502,484)	456,430

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(10,664)	(2,579)
Net cash outflow from investing activities	(5,049)	–
Net cash inflow from financing activities	365,627	94,343
Net increase in cash and cash equivalents	349,914	91,764
Cash and cash equivalents at the beginning of the period	46,424	2,183
Cash and cash equivalents at the end of the period		
Represented by cash and cash equivalents	396,338	93,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2015

1. Corporate information

China National Culture Group Limited 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 office unit 403, 4th floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong.

The Company and its subsidiaries were principally involved in providing the advertising media services, e-commerce, film production and distribution business.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30 September 2015 (“Current Interim Period”) have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Interim Financial Statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2015 (“Annual Report”), which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Interim Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2015.

3. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Annual Report.

In the Current Interim Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs in the Current Interim Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the new and revised standards and interpretation that have been issued but not yet effective.

4. 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; and
- (c) the e-commerce segment — sale of products over the internet

Segment revenue and results

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

	Advertising Six months ended		Movie production Six months ended		E-commerce Six months ended		Consolidated Six months ended	
	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)	30 September 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Segment revenue:								
Contract revenue from external customers	4,000	1,904	–	–	6,238	–	10,238	1,904
Segment results	3,760	1,204	–	–	61	–	3,821	1,204
Other revenue and unallocated gains							621,978	22,266
Corporate and other unallocated expenses							(3,796)	(16,559)
Finance costs							(12,324)	(12,270)
Profit/(loss) before taxation							609,679	(5,359)
Taxation							(102,934)	–
Profit/(loss) for the period							506,745	(5,359)

There were no inter-segment sales during the period (2014: Nil). Segment results represents the profit earned without allocation of central administration costs including directors' salaries, investment and other income, finance costs and taxation. 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 segments:

	Advertising		Movie production		E-commerce		Consolidated	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31
	September	March	September	March	September	March	September	March
	2015	2015	2015	2015	2015	2015	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	288,295	312,737	14,375	14,375	15,538	–	318,208	327,112
Unallocated assets							1,081,207	38,201
							<u>1,399,415</u>	<u>365,313</u>
Segment liabilities	1,307	43,332	–	–	–	–	1,307	43,332
Unallocated liabilities							109,304	20,211
							<u>110,611</u>	<u>63,543</u>

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, deferred tax liabilities and unallocated head office and corporate liabilities.

Other segment information

	Advertising		Movie production		E-commerce		Unallocated		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30	30	30	30	30	30	30	30	30	30
	September	September	September	September	September	September	September	September	September	September
	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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	50	95	–	–	–	–	68	–	118	95
Additions to non-current assets	–	–	–	–	5,049	–	–	–	5,049	–

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	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	6,238	1,154	4,000	750	10,238	1,904
	At 30	At 31	At 30	At 31	At 30	At 31
	September	March	September	March	September	March
	2015	2015	2015	2015	2015	2015
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets*	269,312	264,379	–	2	269,312	264,381

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

Revenue from its major services/products

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising	4,000	1,904
E-commerce	6,238	–
	10,238	1,904

Information about major customer

Revenue from customer for the six months ended 30 September 2015 contributing over 10% of the total revenue of the Group are generated from e-commerce business (2014: advertising business) and as follows:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	–	300
Customer B	–	450
Customer C	–	750
Customer D	3,143	–
Customer E	3,095	–

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2015 and 2014.

5. Turnover and other income

An analysis of Group's turnover and other income is as follows:

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Advertising income	4,000	1,904
E-commerce income	6,238	—
	<u>10,238</u>	<u>1,904</u>
Other income:		
Gain on extinguishment of promissory notes	—	22,266
Fair value gain on financial assets held for trading	621,978	—
	<u>621,978</u>	<u>22,266</u>

6. Profit from operating activities

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	<u>118</u>	<u>95</u>

7. Finance costs

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on other loan	—	432
Imputed interest on promissory notes	12,324	11,838
	<u>12,324</u>	<u>12,270</u>

8. Taxation

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	522	—
Deferred tax		
Current period	102,412	—
	<u>102,934</u>	<u>—</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2015.

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 September 2014. 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.

9. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2015 and 2014. The Board do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2015 (30 September 2014: Nil).

10. Earnings/(loss) per share

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

	Six months ended 30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	<u>506,745</u>	<u>(5,359)</u>
	Six months ended 30 September	
	2015	2014
	'000	'000
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares of the Company (the "Shares") for the purpose of basic and diluted earnings/(loss) per share	<u>5,608,234</u>	<u>3,441,846</u>

Diluted earnings per share were same as basic earnings per share as there were no potential dilutive ordinary shares in existences during the six months ended 30 September 2015. Diluted loss per share for the six months ended 30 September 2014 were the same as basic loss per share as the potential ordinary share is anti-dilutive.

11. Movements in property, plant and equipment

During the six months ended 30 September 2015, the Group acquired property, plant and equipment of approximately HK\$5,049,000.

During the six months ended 30 September 2014, the Group did not acquire any property, plant and equipment.

12. Financial assets held for trading

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Equity securities listed in Hong Kong	704,194	37,180

At the end of the reporting period, details of financial assets held for trading as follows:

Stock code	Fair value change <i>HK\$'000</i> (Unaudited)	At 30 September 2015 <i>HK\$'000</i> (Unaudited)
1027.HK	619,320	656,500
8195.HK	2,267	21,420
8021.HK	(2,198)	13,650
Others	1,288	12,624
	620,677	704,194

13. Accounts receivable

The following is an aged analysis of accounts receivable at the end of the reporting period:

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Within 30 days	4,961	14,975
31–90 days	3,827	1,050
91–180 days	1,150	500
Over 180 days	14,704	229
	24,642	16,754
Less: impairment loss in respect of accounts receivable	(229)	(229)
	24,413	16,525

The Group allows an average credit period of 180 days for advertising customers.

14. Accounts payable

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

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Over 180 days	<u>735</u>	<u>735</u>

15. Ordinary shares

	Number of Shares '000	Nominal value of Shares <i>HK\$'000</i>
Authorised:		
Ordinary Shares of HK\$0.01 each		
At 31 March 2015 and 1 April 2015	10,000,000	100,000
Share consolidation	(5,000,000)	–
Increase in authorised share capital	<u>45,000,000</u>	<u>900,000</u>
Ordinary Shares of HK\$0.02 each		
At 30 September 2015	<u>50,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each:		
At 31 March 2015 and 1 April 2015	9,814,410	98,144
Share consolidation (<i>notes (a) & (c)</i>)	(4,907,250)	–
Issue of Shares pursuant to the open offer (<i>notes (b) & (c)</i>)	<u>4,907,250</u>	<u>98,144</u>
Ordinary Shares of HK\$0.02 each		
At 30 September 2015	<u>9,814,410</u>	<u>196,288</u>

Notes:

- (a) On 23 July 2015, the Company passed an ordinary resolution for share consolidation, the consolidation of every two Shares of HK\$0.01 each into one consolidated Share of HK\$0.02 each became effective on 24 July 2015.
- (b) On 4 September 2015, 4,907,250,000 ordinary Shares of HK\$0.02 each were issue by way of open offer at a price of HK\$0.10 each for a consideration of approximately HK\$480,283,000. The excess of the issue price over the par value of the Shares issued was credited to the share premium account. For more details, please refer to the Company's announcement dated 2 September 2015.
- (c) The Shares issued during the period rank *pari passu* with the existing Shares in all respects.

16. Non-voting convertible preference Shares

Non-voting convertible preference Shares, issued and fully paid:

	Number of Shares '000	Nominal value of Shares HK\$ '000
Authorised:		
At 31 March 2015, 1 April 2015 and 30 September 2015	<u>7,000,000</u>	<u>490,000</u>
Issued and fully paid:		
Non-voting convertible preference Shares of HK\$0.07 each:		
At 31 March 2015, 1 April 2015 and 30 September 2015	<u>—</u>	<u>—</u>

17. Deferred tax liabilities

	Accelerated tax depreciation HK\$ '000	Financial assets held for trading HK\$ '000	Tax losses HK\$ '000	Total HK\$ '000
At 31 March 2015 (Audited) and 1 April 2015	(17)	(3,774)	670	(3,121)
Charge to profit or loss	<u>—</u>	<u>(102,412)</u>	<u>—</u>	<u>(102,412)</u>
At 30 September 2015 (Unaudited)	<u>(17)</u>	<u>(106,186)</u>	<u>670</u>	<u>(105,533)</u>

18. Share option schemes

The Company operated a share option scheme which became effective on 6 September 2004 (the “2004 Share Option Scheme”) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. The 2004 Share Option Scheme expired on 5 September 2014.

During the six months ended 30 September 2014, the Group has granted 153,383,000 share options to certain directors, employees and consultants of the Group under the 2004 Share Option Scheme which was refreshed on 29 August 2008. For details, please refer to the Company’s announcement dated 25 July 2014.

On 29 August 2014, the Company adopted a new share option scheme (the “2014 Share Option Scheme”), which will be valid for 10 years. For details of 2014 Share Option Scheme, please refer to the Company’s circular dated 30 July 2014.

No share option was granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme during the six months ended 30 September 2015 and 2014.

Movements in the number of share options outstanding under the 2004 Share Option Scheme and their related weighted average exercise prices are as follows:

	Six months ended 30 September 2014	
	Average exercise price	Number of share options '000
At 1 April	—	—
Granted	HK\$0.375	153,383
Exercised	HK\$0.375	(153,380)
Lapsed	HK\$0.375	(3)
At 30 September		<u>—</u>

During the six months ended 30 September 2014, the share-based payments of approximately HK\$11,709,000 were charged to the unaudited condensed consolidated statement of profit or loss.

19. Operating lease commitments

The Group leases office premise under operating lease arrangements, with leases negotiated for terms of three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2015 <i>HK\$'000</i> (Unaudited)	At 31 March 2015 <i>HK\$'000</i> (Audited)
Within one year	168	—
In the second to fifth years inclusive	<u>308</u>	<u>—</u>
	<u>476</u>	<u>—</u>

20. Related party transactions

During the six months ended 30 September 2015 and 2014, in addition to the balance disclosed elsewhere in Interim Financial Statements, the Group had the following material transactions with related parties:

Key management personnel

	Six months ended 30 September 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short-term employee benefits	353	519
Share-based payments	—	1,171
	<u>353</u>	<u>1,690</u>

The remuneration of directors and key executives of the Group is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

21. Events after the reporting period

On 20 October 2015 after trading hours, the Company and Mr. Choi Ming Hei entered into the sale and purchase agreement pursuant to which the Company has agreed to acquire the entire issued share capital in Dynamic Thinker Limited at the consideration of HK\$160 million in cash (the “Acquisition”). For details, please refer to the announcement of the Company dated 20 October 2015. The Acquisition was subsequently completed in November 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board has resolved not to declare an interim dividend for the Current Interim Period.

Business Review

For the six months ended 30 September 2015, the Group recorded a turnover of approximately HK\$10,238,000 (2014: HK\$1,904,000), representing an increase of 437.7% as compared with corresponding period last year. The increase in turnover in the Current Interim Period mainly because the Group commenced e-commerce business during the Current Interim Period and increase in customers in advertising segment compare to corresponding period last year. Gross profit increased to approximately HK\$3,821,000 in the Current Interim Period (2014: HK\$1,204,000). The gross profit margin decreased to 37.3% in the Current Interim Period from 63.2% over the second half for the year ended 31 March 2015. The decrease in gross profit margin was mainly because the Group commenced e-commerce business which has lower gross profit margin.

Profit attributable to the owners of the Company amounted to approximately HK\$506,745,000 in the Current Interim Period (2014: Loss of HK\$5,359,000) and earnings per Share for the period was HK\$9.04 cents in the Current Interim Period (2014: Loss per Share of HK\$0.16 cents (restated)). In addition to the increase in gross profit compared with corresponding

period last year, the significant improvement on performance of the Group as compared with corresponding period last year was mainly due to the recognition of unrealised gain on investment in China Jicheng Holdings Limited (Stock code: 1027.HK) of approximately HK\$619,320,000.

Advertising Business

For the Current Interim Period, a wholly-owned subsidiary of the Company, that is principally dedicated to constructing a catering business mobile platform, has been actively engaged in development of mobile internet business based on established foundation and closely following the O2O path. It aims at connecting the online and offline operational procedures in traditional catering businesses that would result in forming a data closed-loop. The platform has launched such interactive features like online order placing and online table booking. It has even provided, on a trial basis, mobile payment service for some merchants. As a result, efficiency of the clients' restaurants has been improved rather remarkably. Our platform has been hugely popular among catering business operators.

E-commerce Business

For the Current Interim Period, a wholly-owned subsidiary of the Company commenced the business of e-commerce. The boom of e-commerce in China and the Group's continuous expansion of e-commerce channel contributed to the substantial increase in the weighting of the revenue of sales from e-commerce channel. In view of the rising popularity of e-commerce, the Group believes that it will help to open up new income streams.

Financial Review

Liquidity and financing

The Group had total cash and bank balances of approximately HK\$396,338,000 as at 30 September 2015 (31 March 2015: HK\$46,424,000). The Group recorded total current assets of approximately HK\$1,130,103,000 as at 30 September 2015 (31 March 2015: HK\$100,932,000) and total current liabilities of approximately HK\$110,611,000 as at 30 September 2015 (31 March 2015: HK\$63,543,000).

There were no bank borrowings as at 30 September 2015 (31 March 2015: Nil). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets decreased to zero (31 March 2015: 12.01%).

Capital structure and use of proceeds

Share consolidation

On 23 July 2015, the Company passed an ordinary resolution for share consolidation ("Share Consolidation"), the proposed consolidation of every two Shares of HK\$0.01 each into one consolidated Share of HK\$0.02 ("Consolidated Share") each became effective on 24 July 2015.

Immediately after the Share Consolidation became effective, the authorised share capital of the Company became HK\$590,000,000 divided into 5,000,000,000 Consolidated Shares of HK\$0.02 each and 7,000,000,000 non-voting convertible preference Shares of HK\$0.07 each, of which 4,907,205,000 Consolidated Shares were in issue.

Increase of authorised share capital

On 23 July 2015, the Company passed an ordinary resolution for increase of authorised share capital, the proposed increase of authorised share capital of the Company from HK\$590,000,000 divided into 5,000,000,000 Consolidated Shares of HK\$0.02 each and 7,000,000,000 non-voting convertible preference Shares of HK\$0.07 each, to HK\$1,490,000,000 divided into 50,000,000,000 Consolidated Shares of HK\$0.02 each and 7,000,000,000 non-voting convertible preference Shares of HK\$0.07 each, by the creation of an additional 45,000,000,000 unissued Consolidated Shares became effective on 24 July 2015, immediately following the Share Consolidation becoming effective.

Change in board lot size

On 8 June 2015, the Company announced that it proposed to change the board lot size for trading of the Shares and/or the Consolidated Shares from 2,000 Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective. The board lot size has been changed to 10,000 Consolidated Shares on 24 July 2015.

Open offer

In September 2015, the Group completed an open offer of 4,907,205,000 Consolidated Shares at subscription price of HK\$0.10 each (“Open Offer”), with net proceeds amounted to approximately HK\$480,283,000, from which proceeds of approximately HK\$180,256,000 would be applied for acquisition of potential targets principally engaged in the mobile application business in the PRC, approximately HK\$180,256,000 would be applied for potential investment opportunities, approximately HK\$50,071,000 would be applied for the development of e-commerce business, approximately HK\$30,043,000 would be applied for repayment of existing debts and the remaining proceeds of approximately HK\$39,657,000 would be applied for the general working capital purposes.

Immediately after the Open Offer became effective, the number of issued Shares in the capital of the Company became 9,814,410,000 Consolidated Shares of HK\$0.02 each.

During the six months ended 30 September 2015, the Group has applied the net proceed as follows:

	Amount available HK\$'000	Amount utilised HK\$'000	Amount unutilised HK\$'000
— Acquisition of potential targets principally engaged in the mobile application business in the PRC	180,256	—	180,256
— Potential investment opportunities and/or related funding requirements associated with investment opportunities identified from time to time	180,256	47,033	133,223
— Development and operation of the Group's proposed establishment of e-commerce business	50,071	—	50,071
— Repayment of existing debts of the Group	30,043	30,043	—
— General working capital	39,657	39,577	80
	<u>480,283</u>	<u>116,653</u>	<u>363,630</u>

The unutilised net proceeds are placed in the bank accounts of the Group.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars 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. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 September 2015, no asset was pledged for the Group.

Capital commitment

As at 30 September 2015, the Group had no material capital commitment.

Contingent liabilities

As at 30 September 2015, the Group had no material contingent liabilities.

Employment information

As at 30 September 2015, the Group had 12 full time employees whom are employed in Hong Kong and the PRC. 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" totaling approximately HK\$2 million and is in the process of acquiring a server platform for an estimated amount of approximately 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 Shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 September 2015, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the reporting period, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or other body corporates.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2015, to the best knowledge of the Directors and chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business which competes or may compete directly or indirectly with the business of the Group for the six months ended 30 September 2015.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its listed securities during the Current Interim Period.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Current Interim Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry made by the Company, that they have fully complied with the Model Code throughout the Current Interim Period.

CODE ON CORPORATE GOVERNANCE

Throughout the period under review, the Group has adopted and met all the Code Provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Listing Rules during the Current Interim Period except for the following deviations:

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices in this respect are no less exacting than those of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Directors Ms. Wang Miaojun and Ms. Cheung Lai Chun, were unable to attend the annual general meeting of the Company held on 10 September 2015.

AUDIT COMMITTEE

As at 30 September 2015 and the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Cheung Lai Chun. Mr. Liu Kwong Sang is the chairman of the Audit Committee. The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditors, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group.

The Audit Committee has reviewed the Interim Financial Statements, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 30 September 2015. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 30 September 2015.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

All the information and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange’s website in due course. Printed copies of 2015 interim report of the Company will be despatched to shareholders of the Company and available on the aforesaid website 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, 27 November, 2015

As at the date of this announcement, the Board comprises Ms. SUN Wei and Mr. YAN Zhilei as executive Directors and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. CHEUNG Lai Chun as independent non-executive Directors.