CNCG

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 2017

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 2017, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	*4*	**64,622**	38,135
Cost of sales		**(71,370)**	(30,800)
Gross (loss)/profit		**(6,748)**	7,335
Other revenue	*4*	**944**	1,146
Administrative expenses		**(22,555)**	(17,971)
Other gains or losses	*4*	**(250,848)**	206,849
(Loss)/Profit from operation	*5*	**(279,207)**	197,359
Finance costs	*6*	**–**	(12,324)
(Loss)/Profit before taxation		**(279,207)**	185,035
Taxation	*7*	**15,769**	(61,785)
(Loss)/Profit for the year and attributable to the owners of the Company		**(263,438)**	123,250
(Loss)/Earnings per share			
– Basic and diluted (HK cents)	*9*	**(2.68)**	1.55

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
(Loss)/Profit for the year	**(263,438)**	123,250
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(18,830)**	(40)
Reclassification adjustments upon disposal of subsidiaries during the year	**–**	238
Fair value loss on available-for-sale investments	**(3,842)**	–
Reclassification upon impairment of available-for-sale investments	**12,977**	–
Other comprehensive (expense)/income for the year, net of income tax	**(9,695)**	198
Total comprehensive (expense)/income for the year	**(273,133)**	123,448
Total comprehensive (expense)/income attributable to:		
– Owners of the Company	**(273,133)**	123,448

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**230**	322
Intangible assets		**223,661**	148,806
Goodwill		**98,099**	175,686
Available-for-sale investments		**47,260**	–
Prepayments for acquisition of film rights		**29,000**	–
Deposit paid for the acquisition of a subsidiary		**–**	20,000
		398,250	344,814
Current assets			
Inventories		**–**	2,750
Financial assets held for trading	*10*	**355,216**	459,461
Accounts receivable	*11*	**42,943**	24,564
Prepayments, deposits and other receivables		**15,756**	25,921
Cash and cash equivalents		**88,992**	238,292
		502,907	750,988
Total assets		**901,157**	1,095,802
EQUITY			
Capital and reserves			
Share capital		**196,288**	196,288
Reserves		**436,073**	709,206
Total equity		**632,361**	905,494

	Notes	**2017**	2016
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Current liabilities			
Accounts payable	*12*	**34,684**	1,184
Consideration payable		**115,000**	80,000
Other payables and accruals		**7,733**	1,459
Provision		**3,547**	3,547
Tax payables		**3,260**	990
Deferred income		**135**	2,107
		164,359	89,287
Non-current liabilities			
Deferred tax liabilities		**104,437**	101,021
Total liabilities		**268,796**	190,308
Total equity and liabilities		**901,157**	1,095,802
Net current assets		**338,548**	661,701
Total asset less current liabilities		**736,798**	1,006,515
Net assets		**632,361**	905,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

The principal activities of the Company and its subsidiaries (the "Group") are provision of the advertising media services, e-commerce, film 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 that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Intitative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

Except as described below, the application of the amendments to 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.

Amendments to HKAS 1 Disclosure Imitative

The Group has applied the amendments to HKAS 1 Disclosure Imitative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from the disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendment reiterate that an entity should consider providing addition disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. The application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these 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[2]
HKFRS 15 and clarifications to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
HK(IFRIC) Interpretation 22	Foreign Currency Transaction and Advance Consideration[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfer of Investment Properties[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for accounting periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for accounting periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for accounting periods beginning on or after 1 January 2019, with earlier application permitted.

4 No mandatory effective date but is available for early adoption.

5 Effective for accounting periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the consolidated financial statements.

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 segment – trading and production of films and provision of other film related services;

(c) the e-commerce segment – sale of products over the internet.

Segment revenues and results

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

	Revenue		**Result**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advertising	**26,745**	8,475	**2,106**	7,004
Movie	**8,500**	–	**(9,000)**	–
E-commerce	**29,377**	29,660	**146**	331
	64,622	38,135	**(6,748)**	7,335
Other revenue and unallocated gains			**944**	344,995
Corporate and other unallocated expenses			**(273,403)**	(154,971)
Finance costs			**–**	(12,324)
(Loss)/Profit before taxation			**(279,207)**	185,035
Taxation			**15,769**	(61,785)
(Loss)/Profit for the year			**(263,438)**	123,250

There were no inter-segment sales during the year (2016: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, gain on disposal of subsidiaries, impairment loss in respect of goodwill, 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.

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:

	Revenue from external customer		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**37,877**	29,583	**31,830**	151,546
The PRC	**26,745**	8,552	**319,160**	193,268
	64,622	38,135	**350,990**	344,814

Revenue from its major services

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

	2017	2016
	HK$'000	*HK$'000*
Advertising	**26,745**	8,475
E-commerce	**29,377**	29,660
Movie production and related income	**8,500**	–
	64,622	38,135

Information about major customers

Revenue from customer of the years ended 31 March 2017 and 2016 contributing over 10% of the total revenue of the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Customer A – E-commerce	**10,820**	11,378
Customer B – E-commerce	**9,975**	10,599
Customer C – E-commerce	**8,582**	7,456

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2017 and 2016.

4. Revenue, other revenue and other gains or losses

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

	2017	2016
	HK$'000	*HK$'000*
Revenue:		
Advertising	**26,745**	8,475
E-commerce	**29,377**	29,660
Movie production and related income	**8,500**	–
	64,622	38,135
Other revenue:		
Sundry income	**944**	1,146
Other gains or losses:		
Net unrealised (loss)/gain on financial assets held for trading	**(97,463)**	341,006
Net realised (loss)/gain on disposal of financial assets held for trading	**(24,588)**	1,345
Change in fair value of contingent consideration	**(14,213)**	–
Exchange gain	**83**	–
Gain on disposal of subsidiaries	**–**	1,498
Impairment loss in respect of		
– goodwill	**(95,400)**	(137,000)
– available-for-sale investments	**(12,977)**	–
– intangible assets	**(3,540)**	–
– inventories	**(2,750)**	–
	(250,848)	206,849

5. (Loss)/Profit from operation

The Group's (loss)/profit from operation is arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration	**650**	600
Depreciation	**93**	217
Amortisation	**7,753**	3,703
Staff costs (excluding directors' remuneration)		
– wages and salaries	**963**	746
– pension scheme contributions	**–**	30
	963	776
Minimum lease payments under operating leases:		
– land and building	**299**	320

6. Finance costs

	2017	2016
	HK$'000	*HK$'000*
Imputed interest expense arising from promissory notes wholly repayable within five years	**–**	12,324

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 2017. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year ended 31 March 2016. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's companies operating in the PRC is 25% from 1 January 2008 onwards. 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.

	2017	2016
	HK$'000	*HK$'000*
Current tax		
Provision for the year		
– Hong Kong profits tax	**–**	355
– PRC enterprise income tax	**2,372**	445
Over provision in prior years		
– Hong Kong profits tax	**(20)**	–
	2,352	800
Deferred tax		
– Original and reversal of temporary difference	**(18,121)**	60,985
	(15,769)	61,785

8. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2017 (2016: Nil).

9. (Loss)/Earnings per share

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/Earnings:		
(Loss)/Profit for the year and attributable to the owners of the Company	**(263,438)**	123,250

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share	**9,814,410**	7,926,923

There were no potential dilutive shares for both years, therefore, the basic and diluted (loss)/earnings per share is the same.

10. Financial assets held for trading

	2017	2016
	HK$'000	*HK$'000*
Held-for-trading investments include:		
Equity securities listed in Hong Kong	**355,216**	459,461

The fair value of the listed equity investment is based on the quoted market bid price available on the Stock Exchange.

Details of its principal listed equity security is as follows:

Name of Investee company	**Place of incorporation**	**Year**	**Number of share held**	**Percentage of interest held**	**Cost**	**Accumulated unrealised gain**	**Market value**
					HK$000	*HK$000*	*HK$000*
China Jicheng Holdings Limited ("China Jicheng")	Cayman Islands	2017	1,625,000,000	2.17%	14,301	304,199	318,500
(Stock code: 1027.HK)		2016	325,000,000	2.17%	14,301	372,449	386,750

A brief description of the business and financial information of China Jicheng, based on its latest published annual report is as follows:

China Jicheng is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas and umbrella parts. The audited consolidated profit attributable to shareholders of China Jicheng for the year ended 31 December 2016 was approximately Reminibi ("RMB") 6 million (2015: approximately RMB25 million). At 31 December 2016, the audited consolidated net asset value of China Jicheng was approximately RMB431 million (2015: RMB425 million). As at 31 March 2017, approximately 90% (2016: 84%) of the financial assets held for trading represented investments in China Jicheng and this represented approximately 50% (2016: 43%) of the Group's net assets.

11. Accounts receivable

An ageing analysis of the accounts receivable at the end of the reporting period, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**11,376**	–
31-60 days	**1,444**	20,764
61-90 days	**2,993**	3,700
91-365 days	**23,863**	–
Over 365 days	**3,496**	329
	43,172	24,793
Less: Impairment loss recognised	**(229)**	(229)
	42,943	24,564

The Group does not allow any credit period to its customers, excepts for accounts receivable arising from movie segment, there are 180 days credit period granted. The movements in impairment loss in respect of accounts receivable were as follows:

	2017	2016
	HK$'000	*HK$'000*
At the beginning of year	**229**	229
Impairment losses recognised	**–**	–
At the end of year	**229**	229

Accounts 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 ageing analysis of the Group's accounts receivable balances which are past due but not impaired is presented as follows:

	2017	2016
	HK$'000	*HK$'000*
Over 0-30 days	**2,876**	–
Over 31-60 days	**1,444**	20,764
Over 61-90 days	**2,993**	3,700
Over 91-365 days	**23,863**	–
Over 365 days	**3,267**	100
	34,443	24,564

12. Accounts payable

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

	2017	2016
	HK$'000	*HK$'000*
91-365 days	**33,500**	–
181-365 days	**–**	1,150
Over 365 days	**1,184**	34
	34,684	1,184

13. Comparatives

Certain comparative amounts has been reclassified to conform with the current year's presentation. These classification have no effects on the reported financial position, financial performance or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2017, the Group recorded a revenue of approximately HK$64,622,000 (2016: HK$38,135,000), representing an increase of 69.5% as compared with last year. The increase in turnover in the current year mainly because the advertising income contributed by Recent Value Limited and Dynamic Thinker Limited and the revenue generated from sale of film rights during the year. The Group recorded a gross loss of approximately HK$6,748,000 for the year ended 31 March 2017 as against a gross profit of approximately HK$7,335,000 for the year ended 31 March 2016 mainly represent the net effect of gross profit arising from e-commerce and marketing platform segment and gross loss arising from advertising and movie segments. The gross loss of advertising segment mainly due to the slow growth of revenue generated during the year. The gross loss of movie segment mainly arose from delay in publication date and unsatisfactory market demand of the films invested by the Group.

Loss attributable to the owners of the Company amounted to approximately HK$263,438,000 as against a profit attributable to the owners of the Company amounted to approximately HK$123,250,000. The net loss reported by the Group was mainly arising from the net effect of (i) gross loss recognised for the year end 31 March 2017; (ii) net realised and unrealised loss on financial assets held for trading of approximately HK$122,051,000; (iii) impairment loss in respect of goodwill of approximately HK$95,400,000; and (iv) impairment loss in respect of available-for-sale investments of approximately HK$12,977,000.

Financial Review

As at the end of the year, non-current assets increased to approximately HK$398,250,000 (2016: HK$344,814,000) due to goodwill and intangible assets arose from the acquisition of Recent Value Limited during the year. Current assets decreased due to the decrease in financial assets held for trading and the decrease in cash and cash equivalents. Total liabilities were increased as the Group has consideration payable and deferred tax liabilities arose from acquisition of Recent Value Limited during the year.

Capital structure

Authorised share capital

As at 31 March 2017, the authorised share capital of the Company ("Authorised Share Capital") was HK$1,490,000,000 divided into 50,000,000,000 shares ("Shares") of HK$0.02 each and 7,000,000,000 non-voting convertible preference shares of HK$0.07 each. The Authorised Share Capital had no change during the year ended 31 March 2017.

Issued share capital

As at 31 March 2017, the number of Shares in issue was 9,814,410,000 Shares of HK$0.02 each. The issued share capital of the Company had no change during the year ended 31 March 2017.

Use of proceeds

During the year ended 31 March 2017, the Group has applied the net proceeds from open offer completed during the year ended 31 March 2016 as follows:

	Net proceeds *(HK$'000)*		
Purposes	**Available**	**Utilised**	**Unutilised**
– Acquisition of potential targets principally engaged in the mobile application business in the PRC	180,256	160,190	20,066
– Potential investment opportunities and/or related funding requirements associated with investment opportunities identified from time to time	180,256	180,256	–
– 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	39,657	–
	480,283	460,217	20,066

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

Liquidity and financing

The Group had total cash and bank balances of approximately HK$88,992,000 as at 31 March 2017 (2016: HK$238,292,000). The Group recorded total current assets of approximately HK$502,907,000 as at 31 March 2017 (2016: HK$750,988,000) and total current liabilities of approximately HK$164,359,000 as at 31 March 2017 (2016: HK$89,287,000).

There were no bank borrowings as at 31 March 2017 (2016: Nil). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets remain as zero (2016: zero).

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 31 March 2017, no asset of the Group was being pledged as there is no external financing (2016: Nil).

Capital commitment

As at 31 March 2017, the Group has capital commitment of HK$39,000,000. (2016: Nil)

Contingent liabilities

As at 31 March 2017, the Group had no material contingent liabilities. (2016: Nil)

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Acquisition of Capital Assets

Save for those disclosed in this final results announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 March 2017. Apart from those disclosed in this final results announcement, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this final results announcement.

No Material Changes

Saved as disclosed in this final results announcement, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules for the year ended 31 March 2017.

Share Option

The Company has adopted the existing share option scheme (the "2014 Share Option Scheme") on 29 August 2014 and scheme mandate limit of which has been refreshed at the annual general meeting of the Company held on 10 September 2015.

As at 31 March 2017 and at no time during the year ended 31 March 2017 was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

No share option was granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme during the year ended 31 March 2017.

Employee Information

As at 31 March 2017, the Group had 13 (2016: 10) employees whom are employed in Hong Kong and PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Prospect

With a series of new developments in the pipeline, we are excited about the opportunities ahead.

In April 2016, the Group have completed the acquisition of Group Wise Holdings Limited ("Group Wise") as it is considered that (1) certain expertise knowledge and the platform of Group Wise can be utilised in the Group's business of advertising media services, the acquisition of Group Wise is in line with the business development strategy and expansion plan of Group Wise; (2) Group Wise has well-established business in marketing services, the Board considers the acquisition will enable the Group to complement its existing movie distribution business, which may have synergetic effect.

The vision of the Group is (1) to expand its existing services offerings to different industry and also the geographical coverage; and (2) to look for business opportunities that would generate long-term returns to its shareholders.

To achieve this vision, our future plans include:

– Continued development of advertising and e-commerce related businesses;

– Expansion of advertising and e-commerce related business through acquisition and/or co-operation;

– Strategic investments in both regional and overseas movie productions;

– Diversifying the Group's business portfolio in other business sector including but not limited to money lending business

The Group will keep the shareholders abreast of the latest development of the Group.

OTHER INFORMATION

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 March 2017, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

Compliance with Provisions of Corporate Governance Code

Except for the following deviations, 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 throughout the year ended 31 March 2017.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2017, the Company has not appointed the Chairman and thus there has been no segregation of duties during the year.

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 Director Ms. Wang Miaojun, was unable to attend the annual general meeting of the Company held on 31 August 2016.

As to the deviation from code provisions A.2.1 and A.4.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly. For deviation from code provision A.6.7 of the CG Code, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

Model Code for Securities Transactions by Directors

The Group 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 ended 31 March 2017.

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 31 March 2017, 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 year ended 31 March 2017, 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 any other body corporate.

Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 March 2017, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Interests in Competing Business

None of the Directors had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the year ended 31 March 2017.

Audit Committee

During the year ended 31 March 2017, Ms. Cheung Lai Chun has resigned as a member of the audit committee of the Board ("Audit Committee") with effect from 10 May 2016 and Ms. Wang Yujie has been appointed as a replacement on 27 July 2016. As at 31 March 2017, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie. Mr. Liu Kwong Sang, who process appropriate professional qualifications, accounting and financial management expertise, is the chairman of the Audit Committee. The primary duties of the Audit Committee are: to independent review and supervise the financial reporting process, internal control and risk management systems on an ongoing basis, to ensure good communications among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the audited consolidated financial results for the year ended 31 March 2017. After review and discussions, the Audit Committee was in its opinion that (i) the preparation of such results complied with the applicable standards and statutory requirements and the requirements of the Stock Exchange and that (ii) the internal control and risk management systems of the Group had been properly implemented and was adequate to keep the Board informed of the business and the management affairs of the Group. During the year under review, no material matters were identified and reported by the Audit Committee to the Board.

Major Events After the Reporting Period

On 27 June 2017, the Group disposed on-market of a total of 1,625,000,000 shares of China Jicheng Holdings Limited (1027.hk), which constitute discloseable transactions under the Listing Rules. For details, please refer to the Company's announcement dated 27 June 2017.

Save for those disclosed in this final results announcement, the Group does not have any material events after the year under review.

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 2017 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, 28 June 2017

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. WANG Yujie as Independent Non-Executive Directors.