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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 the Cayman Islands with limited liability)
(Stock code: 745)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 2018, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	*4*	**101,155**	64,622
Cost of sales		**(79,714)**	(71,370)
Gross profit/(loss)		**21,441**	(6,748)
Other revenue	*4*	**1**	944
Administrative expenses		**(30,881)**	(22,555)
Other gains or losses	*4*	**(397,928)**	(250,848)
Loss before taxation	*5*	**(407,367)**	(279,207)
Taxation	*6*	**48,694**	15,769
Loss for the year attributable to the owners of the Company		**(358,673)**	(263,438)
Loss per share			
– Basic and diluted (HK cents)	*8*	**(3.65)**	(2.68)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(358,673)**	(263,438)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**25,249**	(18,830)
Fair value loss on available-for-sale investments	**(9,678)**	(3,842)
Reclassification adjustment upon impairment of available-for-sale investments	**7,771**	12,977
Reclassification adjustment upon disposal of available-for-sale investments	**(7,228)**	–
Other comprehensive income/(expense) for the year, net of income tax	**16,114**	(9,695)
Total comprehensive expense for the year attributable to the owners of the Company	**(342,559)**	(273,133)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**138**	230
Intangible assets		**240,175**	223,661
Goodwill		**43,805**	98,099
Available-for-sale investments		**18,122**	47,260
Prepayments for acquisition of film rights		**2,750**	29,000
		304,990	398,250
Current assets			
Financial assets held for trading		**19,613**	355,216
Accounts receivable	*9*	**37,820**	42,943
Prepayments, deposits and other receivables		**24,249**	15,756
Tax receivables		**1,026**	–
Cash and cash equivalents		**12,032**	88,992
		94,740	502,907
Total assets		**399,730**	901,157
EQUITY			
Capital and reserves			
Share capital		**196,288**	196,288
Reserves		**96,391**	436,073
Total equity		**292,679**	632,361

	Notes	**2018**	2017
		HK$'000	*HK$'000*
LIABILITIES			
Current liabilities			
Accounts payable	*10*	**12,285**	34,684
Consideration payable		**–**	115,000
Other payables and accruals		**22,903**	7,733
Provision		**3,547**	3,547
Tax payables		**4,887**	3,260
Deferred income		**3,385**	135
		47,007	164,359
Non-current liabilities			
Deferred tax liabilities		**60,044**	104,437
Total liabilities		**107,051**	268,796
Total equity and liabilities		**399,730**	901,157
Net current assets		**47,733**	338,548
Total asset less current liabilities		**352,723**	736,798
Net assets		**292,679**	632,361

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs	Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12

The application of the above 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.

(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.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advertising	**37,476**	26,745	**16,401**	2,106
Movie	**29,900**	8,500	**900**	(9,000)
E-commerce	**33,779**	29,377	**4,140**	146
	101,155	64,622	**21,441**	(6,748)
Other revenue and unallocated gains			**1**	944
Corporate and other unallocated expenses			**(428,809)**	(273,403)
Loss before taxation			**(407,367)**	(279,207)
Taxation			**48,694**	15,769
Loss for the year			**(358,673)**	(263,438)

There were no inter-segment sales during the year (2017: 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'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 customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**33,779**	37,877	**2,888**	31,830
The PRC	**53,876**	26,745	**283,980**	319,160
Malaysia	**13,500**	–	**–**	–
	101,155	64,622	**286,868**	350,990

Revenue from its major services

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

	2018	2017
	HK$'000	*HK$'000*
Advertising	**37,476**	26,745
E-commerce	**33,779**	29,377
Movie	**29,900**	8,500
	101,155	64,622

Information about major customers

Revenue from customers of the years ended 31 March 2018 and 2017 contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A–E-commerce	**32,785**	10,820
Customer B–E-commerce	***N/A**	9,975
Customer C–E-commerce	***N/A**	8,582
Customer D–Movie	**16,500**	*N/A

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2018 and 2017.

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

4. REVENUE, OTHER REVENUE AND OTHER GAINS OR LOSSES

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

	2018	2017
	HK$'000	*HK$'000*
Revenue:		
Advertising	**37,476**	26,745
E-commerce	**33,779**	29,377
Movie production and related income	**29,900**	8,500
	101,155	64,622
Other revenue:		
Sundry income	**1**	944
Other gains or losses:		
Net unrealised loss on financial assets held for trading	**(10,302)**	(97,463)
Net realised loss on disposal of financial assets held for trading	**(290,750)**	(24,588)
Net realised loss on disposal of available-for-sale investments	**(13,777)**	–
Change in fair value of contingent consideration	**–**	(14,213)
Exchange gain	**112**	83
Impairment loss in respect of		
–goodwill	**(59,791)**	(95,400)
–accounts receivable	**(11,503)**	–
–other receivable	**(4,146)**	–
–available-for-sale investments	**(7,771)**	(12,977)
–intangible assets	**–**	(3,540)
–inventories	**–**	(2,750)
	(397,928)	(250,848)

5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Auditors' remuneration	**680**	650
Depreciation	**92**	92
Amortisation	**7,187**	7,753
Staff costs (excluding directors' remuneration)		
– wages and salaries	**1,282**	963
– share option expenses	**1,001**	–
	2,283	963
Minimum lease payments under operating leases:		
– land and building	**356**	299

6. 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 2018. 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.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**1,625**	2,372
Over provision in prior years		
– Hong Kong profits tax	**–**	(20)
	1,625	2,352
Deferred tax		
– Original and reversal of temporary difference	**(50,319)**	(18,121)
	(48,694)	(15,769)

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2018 (2017: Nil).

8. 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:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year and attributable to the owners of the Company	**(358,673)**	(263,438)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**9,814,410**	9,814,410

The computation of diluted loss per share for the year ended 31 March 2018 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

There were no potential dilutive shares for the years ended 31 March 2017 and 2018, therefore, the basic and diluted loss per share is the same.

9. ACCOUNTS RECEIVABLE

An ageing analysis of the accounts receivable at the end of the reporting period which based on the date of recognition of revenue, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**9,588**	11,376
31-60 days	**2,352**	1,444
61-90 days	**2,856**	2,993
91-365 days	**16,189**	23,863
Over 365 days	**18,567**	3,496
	49,552	43,172
Less: Impairment loss in respect of accounts receivables	**(11,732)**	(229)
	37,820	42,943

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:

	2018	2017
	HK$'000	*HK$'000*
At the beginning of year	**229**	229
Impairment losses recognised	**11,503**	–
At the end of year	**11,732**	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:

	2018	2017
	HK$'000	*HK$'000*
Over 0-30 days	**9,588**	2,876
Over 31-60 days	**2,352**	1,444
Over 61-90 days	**2,352**	2,993
Over 91-365 days	**16,189**	23,863
Over 365 days	**7,339**	3,267
	37,820	34,443

10. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable at the end of the reporting period, is presented based on the invoice dates as follows:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**625**	–
31-60 days	**625**	–
61-365 days	**6,250**	33,500
Over 365 days	**4,785**	1,184
	12,285	34,684

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2018, the Group recorded a revenue of approximately HK$101,155,000 (2017: HK$64,622,000), representing an increase of 56.5% 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 profit of approximately HK$21,441,000 for the year ended 31 March 2018 as against a gross loss of approximately HK$6,748,000 for the year ended 31 March 2017 mainly because (i) movie segment generated gross profit this year comparing with the gross loss incurred last year and (ii) the business performance of advertising segment has been improved as more customers wanted to upgrade their services to meet customers' needs, which provide relatively higher profit margin.

Loss attributable to the owners of the Company amounted to approximately HK$358,673,000 as compare with a loss attributable to the owners of the Company amounted to approximately HK$263,438,000. The net loss reported by the Group was mainly arising from the net effect of (i) net realised and unrealised loss on financial assets held for trading of approximately HK$301,052,000; (ii) impairment loss in respect of goodwill of approximately HK$59,791,000; (iii) net realised loss on disposal and impairment loss in respect of available-for-sale investments of approximately HK$21,548,000; and (iv) impairment loss in respect of accounts receivable and other receivable of approximately HK$15,649,000.

Financial Review

As at the end of the year, non-current assets decreased to approximately HK$304,990,000 (2017: HK$398,250,000) due to impairment loss recognised on goodwill and intangible assets 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 decreased as the Group settled the consideration payable during the year.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2018:

Name of investee	As at 1 April 2017	Loss on disposal	Fair value loss	As at 31 March 2018	Percentage to the Group's audited total assets as at 31 March 2018	Number of shares held by the Group as at 1 April 2017	Percentage of shareholding held by the Group as at 1 April 2017	Number of shares held by the Group as at 31 March 2018	Percentage of shareholding held by the Group as at 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*		*%*		*%*
Significant investments									
China Jicheng Holdings Limited ("**CJH**") (stock code: 1027.HK) *(note)*	318,500	(283,705)	–	–	–	1,625,000,000	2.17%	–	–
Sub-total	318,500	(283,705)	–	–	–				
Other listed securities	36,716	(7,045)	(10,302)	19,613	4.9%				
Total	355,216	(290,750)	(10,302)	19,613	4.9%				

Note: CJH is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas. Based on CJH's annual report for the year ended 31 December 2017, revenue and profit of CJH was approximately RMB538.3 million and RMB3.5 million respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 31 March 2018, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the year ended 31 March 2018.

Available-for-sale investments as at 31 March 2018

Name of investee	As at 1 April 2017 HK$'000	Loss on disposal HK$'000	Fair value loss HK$'000	As at 31 March 2018 HK$'000	Percentage to the Group's audited total assets as at 31 March 2018 %	Number of shares held by the Group as at 1 April 2017	Percentage of shareholding held by the Group as at 1 April 2017 %	Number of shares held by the Group as at 31 March 2018	Percentage of shareholding held by the Group as at 31 March 2018 %
Time2U International Holding Limited ("**Time2U**") (stock code: 1327) *(note)*	11,143	–	(3,943)	7,200	1.8%	171,428,000	4.96%	171,428,000	4.96%
Other listed securities	36,117	(13,777)	(5,735)	10,922	2.7%				
Total	47,260	(13,777)	(9,678)	18,122	4.5%				

Note: Time2U is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. Based on Time2U's annual report for the year ended 31 December 2017, revenue and loss of Time2U was approximately RMB115.8 million and RMB117.1 million respectively.

The impairment loss of approximately HK$9,678,000 recognised in relation to the available-for-sale investments by reference to the market price of the available-for-sale investments as at 31 March 2018.

Except the available-for-sale investments disclosed above, at 31 March 2018, there was no available-for-sale investments held by the Group the value of which was more than 5% of the total assets of the Group.

Capital structure

Authorised share capital

As at 31 March 2018, 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 2018.

Issued share capital

As at 31 March 2018, 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 2018.

Liquidity and financing

The Group had total cash and bank balances of approximately HK$12,032,000 as at 31 March 2018 (2017: HK$88,992,000). The Group recorded total current assets of approximately HK$94,740,000 as at 31 March 2018 (2017: HK$502,907,000) and total current liabilities of approximately HK$47,007,000 as at 31 March 2018 (2017: HK$164,359,000).

There were no bank borrowings as at 31 March 2018 (2017: Nil). The Group's gearing ratio, remained as zero (2017: zero).

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars. The Group conducts its core business transaction mainly in Hong Kong dollars or 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. 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 2018, no asset of the Group was being pledged as there is no external financing (2017: Nil).

Capital commitment

As at 31 March 2018, the Group has no capital commitment. (2017: HK$39,000,000)

Contingent liabilities

As at 31 March 2018, the Group had no material contingent liabilities (2017: 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 2018. 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 2018.

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 2018 and at no time during the year ended 31 March 2018 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.

981,440,000 share options were granted on 2 August 2017. No share option was exercised, cancelled or lapsed under the 2014 Share Option Scheme during the year ended 31 March 2018.

Employee Information

As at 31 March 2018, the Group had 13 (2017: 13) 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

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

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 2018.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 March 2018, 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 2018.

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 2018, 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 2017.

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 2018.

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 2018, 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 2018, 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 2018, 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 2018.

Audit Committee

During the year ended 31 March 2018, the audit committee of the Board (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 2018. 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 14 June 2018, the Company and Time Leap Limited (the "Vendor") entered into a conditional sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of Scan And Play (BVI) Limited (the "Acquisition"). The consideration for the Acquisition is HK$39,000,000, which shall be satisfied by the allotment and issue of 1,950,000,000 new shares of the Company ("Consideration Shares") to the Vendor at completion. The Consideration Shares will be issued under the General Mandate.

On 15 June 2018, the Company proposed to implement the consolidation of its shares.

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 2018 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
Executive Director

Hong Kong, 29 June 2018

As at the date of this announcement, the Board comprises Ms. SUN Wei and Ms. MAN Qiaozhen as Executive Directors and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie as Independent Non-Executive Directors.