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 2019

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 2019, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	4	**89,876**	101,155
Cost of sales		**(68,805)**	(79,714)
Gross profit		**21,071**	21,441
Other revenue	4	**46**	1
Administrative expenses		**(30,044)**	(30,881)
Other gains or losses	4	**(66,420)**	(397,928)
Loss before taxation	5	**(75,347)**	(407,367)
Taxation	6	**9,443**	48,694
Loss for the year attributable to the owners of the Company		**(65,904)**	(358,673)
Loss per share			
– Basic and diluted (HK cents)	8	**(0.67)**	(3.65)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(65,904)**	(358,673)
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(15,207)**	24,475
Fair value loss on available-for-sale investments	**–**	(9,678)
Reclassification adjustment upon impairment of available-for-sale investments	**–**	7,771
Reclassification adjustment upon disposal of available-for-sale investments	**–**	(7,228)
Items that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instruments at fair value through other comprehensive income ("FVTOCI")	**(3,004)**	–
Other comprehensive (expense)/income for the year, net of income tax	**(18,211)**	15,340
Total comprehensive expense for the year attributable to the owners of the Company	**(84,115)**	(343,333)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**50**	138
Intangible assets		**180,461**	240,175
Goodwill		**17,715**	43,805
Equity instruments at FVTOCI		**11,703**	–
Available-for-sale investments		**–**	18,122
Prepayments for acquisition of film rights		**2,750**	2,750
		212,679	304,990
Current assets			
Financial assets held for trading		**14,412**	19,613
Accounts receivable	*9*	**58,040**	37,820
Prepayments, deposits and other receivables		**30,160**	24,249
Tax receivables		**1,026**	1,026
Cash and cash equivalents		**10,475**	12,032
		114,113	94,740
Total assets		**326,792**	399,730
EQUITY			
Capital and reserves			
Share capital		**196,288**	196,288
Reserves		**22,148**	96,391
Total equity		**218,436**	292,679

	Notes	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Current liabilities			
Accounts payable	*10*	**22,763**	12,285
Other payables and accruals		**27,104**	22,903
Provision		**3,547**	3,547
Tax payables		**6,280**	4,887
Deferred income		**–**	3,385
Contract liabilities		**3,546**	–
		63,240	47,007
Non-current liabilities			
Deferred tax liabilities		**45,116**	60,044
Total liabilities		**108,356**	107,051
Total equity and liabilities		**326,792**	399,730
Net current assets		**50,873**	47,733
Total asset less current liabilities		**263,552**	352,723
Net assets		**218,436**	292,679

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")

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- provision of advertising and value-added services
- trading and production of films and provision of other film related services
- sale of products over the internet

There was no material impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

Summary of effects arising from initial application of HKFRS 15

The directors of the Company considered that the initial application of HKFRS 15 has no material impact on opening accumulated losses of the Group or the timing and amount of revenue recognised.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Deferred income	3,385	(3,385)	–
Contract liabilities	–	3,385	3,385

Note:

As at 1 April 2018, receipts in advance from customers of HK$3,385,000 in respect of provision of advertising and value-added services previously included in deferred income were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Liabilities			
Deferred income	–	3,546	3,546
Contract liabilities	3,546	(3,546)	–

Note:

As at 31 March 2019, receipt in advances from customers of HK$3,546,000 in respect of provision of advertising and value-added services would be adjusted from contract liabilities to deferred revenue without application of HKFRS 15.

2.1.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and loan commitment and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	**Available-for-sale investment** *HK$'000*	**Equity instruments at FVTOCI** *HK$'000*	**Accounts receivable** *HK$'000*	**Investments revaluation reserve** *HK$'000*	**Accumulated losses** HK$'000
Closing balance at 31 March 2018 – HKAS 39		18,122	–	37,820	–	(1,146,180)
Reclassification from available-for-sale	*(a)*	(18,122)	18,122	–	(47,288)	47,288
Remeasurement of impairment under ECL model	*(d)*	–	–	9,872	–	9,872
Opening balance at 1 April 2018		–	18,122	47,692	(47,288)	(1,089,020)

Notes:

(a) The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$18,122,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$nil related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses of HK$26,540,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 April 2018. The fair value losses of HK$20,748,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve. In addition, impairment losses previously recognised of HK$47,288,000 were transferred from accumulated losses to FVTOCI reserve as at 1 April 2018.

(b) All financial assets held for trading were measured on the same bases that were measured under HKAS 39.

(c) All other financial assets and financial liabilities were measured on the same bases that were measured under HKAS 39.

(d) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable arising from contracts with customers under HKFRS 15. Except for those which had been determined as credit impaired, accounts receivable (except for secured margin loans) are grouped based on past due analysis.

Except for those which had been determined as credit impaired, ECL for other financial assets at amortised cost and loan commitment, including secured margin loans, bank balances, loans receivable, deposits and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition, except for certain secured margin loans which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 April 2018, the reversal of credit loss allowance of HK$9,872,000 has been recognised against accumulated losses. The reversal of loss allowance is mainly charged against accounts receivable while the impact to other financial assets is not significant. All loss allowances for financial assets as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Accounts receivable – Loss allowance *HK$'000*
Loss allowance at 31 March 2018 under HKAS 39	11,732
Amounts remeasured through opening accumulated losses	(9,872)
Loss allowance at 1 April 2018 under HKFRS 9	1,860

2.2 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[5] Effective for annual periods beginning on or after 1 January 2020.

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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advertising	**56,542**	37,476	**20,904**	16,401
Movie	**–**	29,900	**–**	900
E-commerce	**33,334**	33,779	**167**	4,140
	89,876	101,155	**21,071**	21,441
Other revenue and unallocated gains			**46**	1
Corporate and other unallocated expenses			**(96,464)**	(428,809)
Loss before taxation			**(75,347)**	(407,367)
Taxation			**9,443**	48,694
Loss for the year			**(65,904)**	(358,673)

There were no inter-segment sales during the year (2018: 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	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**20,189**	33,779	**2,800**	2,888
The PRC	**69,687**	53,876	**198,176**	283,980
Malaysia	**–**	13,500	**–**	–
	89,876	101,155	**200,976**	286,868

Revenue from its major services

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

	2019	2018
	HK$'000	*HK$'000*
Advertising	**56,542**	37,476
E-commerce	**33,334**	33,779
Movie	**–**	29,900
	89,876	101,155

Information about major customers

Revenue from customers of the years ended 31 March 2019 and 2018 contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A–E-commerce	***N/A**	*N/A → 32,785
Customer B–E-commerce	**16,061**	*N/A
Customer C–E-commerce	**13,145**	*N/A
Customer D–Movie	**–**	16,500

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2019 and 2018.

* 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:

	2019	2018
	HK$'000	*HK$'000*
Revenue:		
Advertising	**56,542**	37,476
E-commerce	**33,334**	33,779
Movie production and related income	**–**	29,900
	89,876	101,155
Other revenue:		
Sundry income	**46**	1
Other gains or losses:		
Net unrealised loss on financial assets held for trading	**(5,252)**	(10,302)
Net realised loss on disposal of financial assets held for trading	**(510)**	(290,750)
Net realised loss on disposal of available-for-sale investments	**–**	(13,777)
Exchange (loss)/gain	**(21)**	112
Impairment loss in respect of		
–goodwill	**(23,294)**	(59,791)
–accounts receivable	**(107)**	(11,503)
–other receivable	**–**	(4,146)
–available-for-sale investments	**–**	(7,771)
–intangible assets	**(37,236)**	–
	(66,420)	(397,928)

5. LOSS BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration	**730**	680
Depreciation	**88**	92
Amortisation	**7,130**	7,187
Staff costs (excluding directors' remuneration)		
– wages and salaries	**2,039**	1,282
– share option expenses	**–**	1,001
	2,039	2,283
Minimum lease payments under operating leases:		
– land and building	**408**	356

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.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**1,648**	1,625
Over provision in prior years		
– Hong Kong profits tax	**–**	–
	1,648	1,625
Deferred tax		
– Original and reversal of temporary difference	**(11,091)**	(50,319)
	(9,443)	(48,694)

7. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year and attributable to the owners of the Company	**(65,904)**	(358,673)

	2019	2018
	'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 years ended 31 March 2018 and 2019 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.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**5,238**	9,588
31-60 days	**8,169**	2,352
61-90 days	**13,084**	2,856
91-365 days	**29,642**	16,190
Over 365 days	**3,845**	18,566
	59,978	49,552
Less: Impairment loss in respect of accounts receivables	**(1,938)**	(11,732)
	58,040	37,820

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.

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:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**2,674**	625
31-60 days	**3,281**	625
61-365 days	**16,808**	6,250
Over 365 days	**–**	4,785
	22,763	12,285

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$89,876,000 (2018: HK$101,155,000), representing a decrease of 11.2% as compared with last year. The decrease in turnover in the current year mainly because there was no revenue generated from sale of film rights during the year and the management expects such revenue will be generate for the year ending 31 March 2020. The Group recorded a gross profit of approximately HK$21,071,000 for the year ended 31 March 2019 as compared with a gross profit of approximately HK$21,441,000 for the year ended 31 March 2018 mainly because 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$65,904,000 for the year ended 31 March 2019 as compare with a loss attributable to the owners of the Company amounted to approximately HK$358,673,000 for the year ended 31 March 2018. The net loss reported by the Group was mainly arising from the impairment loss recognised in respect of goodwill and intangible assets.

Financial Review

As at the end of the year, non-current assets decreased to approximately HK$212,679,000 (2018: HK$304,990,000) due to impairment loss recognised on goodwill and intangible assets during the year. Current assets increased due to the increase in accounts receivable. Total liabilities were increased due to the increase in account payables and other payables.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2019:

Name of investee	As at 1 April 2018 *HK$'000*	Loss on disposal *HK$'000*	Fair value loss *HK$'000*	As at 31 March 2019 *HK$'000*	Percentage to the Group's audited total assets as at 31 March 2019 *%*	Number of shares held by the Group as at 1 April 2018	Percentage of shareholding held by the Group as at 1 April 2018 *%*	Number of shares held by the Group as at 31 March 2019	Percentage of shareholding held by the Group as at 31 March 2019 *%*
Significant investments									
Capital VC Limited ("**Capital VC**") (stock code: 2324.HK) *(note)*	8,800	–	(4,600)	4,200	1.3%	100,000,000	3.63%	100,000,000	3.63%
Sub-total	8,800	–	(4,600)	4,200	1.3%				
Other listed securities	10,813	(13)	(1,162)	10,212	3.1%				
Total	19,613	(13)	(5,762)	14,412	4.4%				

Note: Capital VC is engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China. Based on Capital VC's interim report for the six months ended 31 March 2019, turnover and loss of Capital VC were approximately HK$47.7 million and HK$66.4 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 2019, 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 2019.

Equity instruments of FVTOCI as at 31 March 2019

Name of investee	As at 1 April 2018	Gain on disposal	Fair value loss	As at 31 March 2019	Percentage to the Group's audited total assets as at 31 March 2019	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*	*%*		*%*		*%*
Time2U International Holding Limited ("**Time2U**") (stock code: 1327) *(note)*	7,200	–	(171)	7,029	2.2%	171,428,000	4.96%	171,428,000	4.96%
Other listed securities	10,922	940	(3,772)	4,674	1.4%				
Total	18,122	940	(3,943)	11,703	3.6%				

Note: Time2U is principally engaged in the manufacture and sales of own-branded watches and jewelleries, including but not limited to diamond watches, tourbillion watches and luxury jewellery accessories, OEM watches and third-party watches. Based on Time2U's annual report for the year ended 31 December 2018, revenue and loss of Time2U was approximately RMB106.9 million and RMB106.8 million respectively.

No impairment loss was recognised in relation to the equity instruments of FVTOCI by reference to the market price of the equity instruments of FVTOCI as at 31 March 2019.

Except the equity instruments of FVTOCI disclosed above, at 31 March 2019, there was no equity instruments of FVTOCI 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 2019, 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 2019.

Issued share capital

As at 31 March 2019, 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 2019.

Liquidity and financing

The Group had total cash and bank balances of approximately HK$10,475,000 as at 31 March 2019 (2018: HK$12,032,000). The Group recorded total current assets of approximately HK$114,113,000 as at 31 March 2019 (2018: HK$94,740,000) and total current liabilities of approximately HK$63,240,000 as at 31 March 2019 (2018: HK$47,007,000).

There were no bank borrowings as at 31 March 2019 (2018: Nil). The Group's gearing ratio, remained as zero (2018: 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 2019, no asset of the Group was being pledged as there is no external financing (2018: Nil).

Capital commitment

As at 31 March 2019, the Group has no capital commitment. (2018: Nil)

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities (2018: 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 2019. 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 2019.

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 31 August 2017.

As at 31 March 2019 and at no time during the year ended 31 March 2019 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.

During the year ended 31 March 2019, no share option was granted, exercised, cancelled nor lapsed under the 2014 Share Option Scheme.

Employee Information

As at 31 March 2019, the Group had 17 (2018: 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

The Group has been actively seeking new business opportunities from time to time in order to (1) broaden the source of income; (2) diversify its business; and (3) enhance the long-term growth potential of the Group and the shareholder's value.

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, including but not limited to media and culture related business, 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; and

– Diversifying the Group's business portfolio in other business sector, including but not limited to education 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 2019.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 March 2019, 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 2019.

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 2019, 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 2018.

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 2019.

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 2019, 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 2019, 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 2019, 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 2019.

Audit Committee

During the year ended 31 March 2019, 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 2019. 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

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 2019 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, 28 June 2019

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.