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 2020

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 2020, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*4*	**77,116**	89,876
Cost of sales		**(62,040)**	(68,805)
Gross profit		**15,076**	21,071
Other revenue	*5*	**2**	46
Administrative expenses		**(24,909)**	(30,044)
Other gains or losses	*5*	**(104,585)**	(66,420)
Finance costs		**(8)**	–
Loss before taxation	*6*	**(114,424)**	(75,347)
Income tax – credit	*7*	**22,197**	9,443
Loss for the year attributable to the owners of the Company		**(92,227)**	(65,904)
		HK cents	*HK cents* (restated)
Loss per share – Basic and diluted	*9*	**(18.79)**	(13.43)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(92,227)**	(65,904)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(8,167)**	(15,207)
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")	**(8,293)**	(3,004)
Other comprehensive expense for the year, net of income tax	**(16,460)**	(18,211)
Total comprehensive expense for the year attributable to the owners of the Company	**(108,687)**	(84,115)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**10**	50
Right-of-use asset		**60**	–
Intangible assets		**78,155**	180,461
Goodwill		**–**	17,715
Equity instruments at FVTOCI		**3,410**	11,703
Prepayments for acquisition of a film right/ Investment in a film right		**5,750**	2,750
		87,385	212,679
Current assets			
Financial assets held for trading		**13,604**	14,412
Accounts receivable	*10*	**59,500**	58,040
Prepayments, deposits and other receivables		**6,552**	30,160
Tax receivables		**–**	1,026
Cash and cash equivalents		**5,276**	10,475
		84,932	114,113
Total assets		**172,317**	326,792
EQUITY			
Capital and reserves			
Share capital		**196,288**	196,288
Reserves		**(86,539)**	22,148
Total equity		**109,749**	218,436

	Notes	**2020** *HK$'000*	2019 *HK$'000*
LIABILITIES			
Current liabilities			
Accounts payable	*11*	**22,942**	22,763
Other payables and accruals		**17,991**	27,104
Provision		**200**	3,547
Lease liability		**62**	–
Tax payables		**1,409**	6,280
Contract liabilities		**426**	3,546
		43,030	63,240
Non-current liabilities			
Deferred tax liabilities		**19,538**	45,116
Total liabilities		**62,568**	108,356
Total equity and liabilities		**172,317**	326,792
Net current assets		**41,902**	50,873
Total asset less current liabilities		**129,287**	263,552
Net assets		**109,749**	218,436

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 AMENDMENTS TO 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 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use asset and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liability for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant Group entities at the date of initial application. The lessee's incremental borrowing rate applied is 5.66%.

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	248
Lease liability as at 1 April 2019 discounted at relevant incremental borrowing rates	240

	HK$'000
Analysed as	
Current	178
Non-current	62
	240

The carrying amount of right-of-use asset as at 1 April 2019 comprises the following:

	HK$'000
Right-of-use asset relating to operating leases recognised upon application of HKFRS 16	240
By class	
Office	240

Transition to HKFRS 16 does not have a material impact on accumulated losses at 1 April 2019.

The following adjustments were made to the amounts recognised in the statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported as at 31 March 2019	**Adjustment**	**Carrying amount under HKFRS 16 as at 1 April 2020**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use asset	–	240	240
Current liabilities			
Lease liability	–	(178)	(178)
Non-current liabilities			
Lease liability	–	(62)	(62)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position at 1 April 2019 as disclosed above.

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions[4]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of all new and amendments to HKFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the purposes of resources allocation and performance assessment, information is reported to the CODM, 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; and

(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		**Results**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advertising	**48,835**	56,542	**14,685**	20,904
Movie	**–**	–	**–**	–
E-commerce	**28,281**	33,334	**391**	167
	77,116	89,876	**15,076**	21,071
Other revenue and unallocated gains			**2**	46
Corporate and other unallocated expenses			**(129,502)**	(96,464)
Loss before taxation			**(114,424)**	(75,347)
Income tax – credit			**22,197**	9,443
Loss for the year			**(92,227)**	(65,904)

There were no inter-segment sales during the year (2019: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, impairment loss in respect of goodwill, finance costs and income tax expense. This is the measure reported to the CODM 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, other than equity instruments at FVTOCI, by location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,589**	20,189	**5,760**	2,800
The PRC	**75,527**	69,687	**78,215**	198,176
	77,116	89,876	**83,975**	200,976

The following is an analysis of the Group's assets and liabilities by operating segment:

	Assets		**Liabilities**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Advertising	**109,868**	257,548	**38,502**	96,395
Movie	**5,750**	2,750	**–**	–
E-commerce	**36,723**	27,248	**18,344**	6,343
	152,341	287,546	**56,846**	102,738
Unallocated	**19,976**	39,246	**5,722**	5,618
Consolidated total	**172,317**	326,792	**62,568**	108,356

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

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

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

Other segment information

The following other segment information included in reports provided regularly to CODM, but not included in segment result.

For the year ended 31 March 2020

	Advertising *HK$'000*	**Movie** *HK$'000*	**E-commerce** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Depreciation of right-of-use asset	**–**	**–**	**–**	**180**	**180**
Depreciation of property, plant and equipment	**–**	**–**	**40**	**–**	**40**
Amortisation	**6,843**	**–**	**–**	**–**	**6,843**
Impairment loss in respect of intangible assets	**86,241**	**–**	**–**	**–**	**86,241**
Impairment loss in respect of goodwill	**17,006**	**–**	**–**	**–**	**17,006**

For the year ended 31 March 2019

	Advertising *HK$'000*	Movie *HK$'000*	E-commerce *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	48	–	40	–	88
Amortisation	7,130	–	–	–	7,130
Impairment loss in respect of intangible assets	37,236	–	–	–	37,236
Impairment loss in respect of goodwill	23,294	–	–	–	23,294

Revenue from its major services

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

	2020 *HK$'000*	2019 *HK$'000*
Advertising	**48,835**	56,542
E-commerce	**28,281**	33,334
	77,116	89,876

Information about major customers

Revenue from customers of the years ended 31 March 2020 and 2019 contributing over 10% of the total revenue of the Group are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Customer A – E-commerce	***N/A**	16,061
Customer B – E-commerce	**20,269**	13,145

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2020 and 2019.

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

4. REVENUE

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

Disaggregation of revenue from contracts with customers

	2020	2019
	HK$'000	*HK$'000*
Revenue:		
Advertising	**48,835**	56,542
E-commerce	**28,281**	33,334
Revenue from contracts with customers	**77,116**	89,876

	2020	2019
	HK$'000	*HK$'000*
Timing of revenue recognition		
Point in time	**28,281**	33,334
Over time	**48,835**	56,542
	77,116	89,876

Performance obligations for contracts with customers

a) Advertising

Revenue from advertising is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) E-commerce

Revenue from e-commerce is therefore recognised at a point in time when the goods is delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to customers from e-commerce.

5. OTHER REVENUE AND OTHER GAINS OR LOSSES

	2020 *HK$'000*	2019 *HK$'000*
Other revenue:		
Sundry income	**2**	46
Other gains or losses:		
Net unrealised loss of financial assets held for trading	**(4,137)**	(5,252)
Net realised gain/(loss) of financial assets held for trading	**103**	(510)
Exchange loss	**(26)**	(21)
Reversal of provision	**3,347**	–
Impairment loss in respect of		
– goodwill	**(17,006)**	(23,294)
– accounts receivable	**(508)**	(107)
– other receivable	**(117)**	–
– intangible assets	**(86,241)**	(37,236)
	(104,585)	(66,420)

6. LOSS BEFORE TAXATION

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

	2020 *HK$'000*	2019 *HK$'000*
Auditors' remuneration	**730**	730
Depreciation of property, plant and equipment	**40**	88
Depreciation of right-of-use asset	**180**	–
Amortisation	**6,843**	7,130
Staff costs (excluding directors' remuneration)		
– wages and salaries	**1,324**	2,039
Contributions to defined contribution retirement plan	**66**	–
	1,390	2,039
Minimum lease payments under operating leases:		
– land and building	**–**	408
Expenses related to short-term lease:		
– office premises	**159**	–

7. TAXATION

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

For the year ended 31 March 2020, Hong Kong Profits Tax was calculated at a flat rate of 16.5% (2019: No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong).

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Provision for the year		
– PRC enterprise income tax	**–**	1,648
– Hong Kong profits tax	**1,409**	
Over provision in prior years		
– Hong Kong profits tax	**(335)**	–
	1,074	1,648
Deferred tax		
– Original and reversal of temporary difference	**(23,271)**	(11,091)
	(22,197)	(9,443)

8. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2019: Nil), nor has any dividend been declared since the end of the reporting period (2019: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the year and attributable to the owners of the Company	**(92,227)**	(65,904)

	2020	2019
	'000	*'000*
		(Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**490,721**	490,721

The computation of diluted loss per share for the years ended 31 March 2019 and 2020 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.

On 21 May 2020, the Company completed a share consolidation which involved the consolidation of every twenty ordinary shares of the Company of HK$0.02 each into one consolidated share of HK$0.4 each. For the years ended 31 March 2020 ad 2019, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

10. 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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**3,664**	5,238
31-60 days	**2,927**	8,169
61-90 days	**4,403**	13,084
91-365 days	**38,885**	29,642
Over 365 days	**12,015**	3,845
	61,894	59,978
Less: Impairment loss in respect of accounts receivable	**(2,394)**	(1,938)
	59,500	58,040

11. 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:

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**1,799**	2,674
31-60 days	**1,681**	3,281
61-365 days	**17,337**	16,808
Over 365 days	**2,125**	–
	22,942	22,763

12. EVENTS AFTER REPORTING PERIOD

Litigation of HCA 10/2018, HCA 15/2018, HCA 19/2018 and HCA 1874/2015

The Company entered into a settlement agreement with Plaintiff on 18 May 2020 and the Company paid a sum of HK$200,000 in full to settle all Litigation.

Capital reorganisation

Reference is made to the circular of the Company dated 26 March 2020 (the "Circular") and the announcements of the Company dated 23 April 2020 and 10 June 2020 relating to (a) the share consolidation which every twenty (20) issued and unissued Existing Shares of par value HK$0.02 each in the share capital of the Company consolidated into one (1) Consolidated Share of par value HK$0.4 each in the share capital of the Company; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK$0.07 each in the share capital of the Company consolidated into one (1) Consolidated Preference Share of par value HK$1.40 each in the share capital of the Company (the "Share Consolidation"); and (b) the capital reduction and share sub-division which each of the authorised but unissued Consolidated Shares of par value HK$0.4 each and the authorised but unissued Consolidated Preference Shares of par value HK$1.40 each be sub-divided into ten (10) New Shares of par value HK$0.04 each and ten (10) New Preference Shares of par value HK$0.14 each respectively (the "Capital Reduction and the Share Sub-division"). Unless the context otherwise requires, terms used in this note shall have the same meanings as those defined in the Circular.

Subsequent to the year end date of 31 March 2020, the Share Consolidation became effective on 21 May 2020 and the petition hearing for confirmation of the Capital Reduction and the Share Sub-division will be held on Thursday, 23 July 2020 (Cayman Islands time) at the Court.

For further details, please refer to the Circular.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 March 2020, the Group recorded a revenue of approximately HK$77,116,000 (2019: HK$89,876,000), representing a decrease of 14.2% as compared with last year. The decrease in turnover in the current year mainly due to the coronavirus outbreak, social demonstration and the US China trade war which affect the economy and decrease the consumption demand. The Group recorded a gross profit of approximately HK$15,076,000 for the year ended 31 March 2020 as compared with a gross profit of approximately HK$21,071,000 for the year ended 31 March 2019. The gross profit margin decreased to 19.5% for the year ended 31 March 2020 from 23.4% for the year ended 31 March 2019. The decrease was mainly because the advertising business segment has upgraded the services to the existing clients in order to enhance the competitiveness in the market.

Loss attributable to the owners of the Company amounted to approximately HK$92,227,000 for the year ended 31 March 2020 as compared with a loss attributable to the owners of the Company amounted to approximately HK$65,904,000 for the year ended 31 March 2019. 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$87,385,000 (2019: HK$212,679,000) due to impairment loss recognised on goodwill and intangible assets during the year. Current assets decreased due to the decrease in prepayment, deposits and other receivables. Total current liabilities were decreased due to the decreases in other payables and provision.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2020:

Name of investee	As at 1 April 2019 *HK$'000*	Gain on disposal *HK$'000*	Fair value gain/(loss) *HK$'000*	As at 31 March 2020 *HK$'000*	Percentage to the Group's audited total assets as at 31 March 2020 *%*	Number of shares held by the Group as at 1 April 2019	Percentage of shareholding held by the Group as at 1 April 2019 *%*	Number of shares held by the Group as at 31 March 2020	Percentage of shareholding held by the Group as at 31 March 2020 *%*
Significant investments									
Capital VC Limited ("Capital VC") (stock code: 2324.HK) *(note a)*	4,200	–	(1,800)	2,400	1.4%	100,000,000	3.63%	100,000,000	3.63%
Asia Grocery Distribution Limited ("Asia Grocery") (stock code: 8413.HK) *(note b)*	1,391	–	2,641	4,032	2.3%	10,080,000	0.87%	10,080,000	0.87%
Sub-total	5,591	–	841	6,432	3.7%				
Other listed securities	8,821	103	(4,978)	7,172	4.2%				
Total	14,412	103	(4,137)	13,604	7.9%				

Note: (a) 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 2020, turnover and loss of Capital VC were approximately HK$49.4 million and HK$60.9 million respectively.

(b) Asia Grocery is engaged in trading and distribution of food and beverage grocery products in Hong Kong. Based on Asia Grocery's interim report for the six months ended 30 September 2019, turnover and loss of Asia Grocery were approximately HK$98,605,000 and HK$302,000 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 2020, 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 2020.

Equity instruments of FVTOCI as at 31 March 2020

Name of investee	As at 1 April 2019	Gain on disposal	Fair value loss	As at 31 March 2020	Percentage to the Group's audited total assets as at 31 March 2020	Number of shares held by the Group as at 1 April 2019	Percentage of shareholding held by the Group as at 1 April 2019	Number of shares held by the Group as at 31 March 2020	Percentage of shareholding held by the Group as at 31 March 2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*		*%*		*%*
Luxxu Group Limited ("LUXXU") (stock code: 1327) *(note)*	7,029	–	(4,800)	2,229	1.3%	171,428,000	4.96%	171,428,000	4.96%
Other listed securities	4,674	–	(3,493)	1,181	0.7%				
Total	11,703	–	(8,293)	3,410	2.0%				

Note: LUXXU 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 LUXXU annual report for the year ended 31 December 2019, revenue and loss of LUXXU were approximately RMB91.5 million and RMB127.0 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 2020.

Except the equity instruments of FVTOCI disclosed above, at 31 March 2020, 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 2020, 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 2020.

After the share consolidation which effective on 21 May 2020, the Authorised Share Capital become HK$1,490,000,000 divided into 2,500,000,000 Shares of HK$0.40 each and 350,000,000 non-voting preference shares of HK$1.40 each.

Issued share capital

As at 31 March 2020, 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 2020.

After the share consolidation which effective on 21 May 2020, the issued share capital become 490,720,500 Shares of HK$0.40 each.

Liquidity and financing

The Group had total cash and bank balances of approximately HK$5,276,000 as at 31 March 2020 (2019: HK$10,475,000). The Group recorded total current assets of approximately HK$84,932,000 as at 31 March 2020 (2019: HK$114,113,000) and total current liabilities of approximately HK$43,030,000 as at 31 March 2020 (2019: HK$63,240,000).

There were no bank borrowings as at 31 March 2020 (2019: Nil). The Group's gearing ratio, remained as zero (2019: 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 2020, no asset of the Group was being pledged as there is no external financing (2019: Nil).

Capital commitment

As at 31 March 2020, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately HK$10,657,000 (2019: HK$2,807,000).

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities (2019: 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 2020. 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 2020.

Share Option Scheme

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 29 August 2014. The scheme mandate limit of which has been refreshed at the annual general meeting of the Company on 31 August 2017. During the year under review, 49,070,000 share options were granted and no share option was exercised, cancelled nor lapsed. As at the date of this announcement, there are 98,142,000 outstanding share options.

Employee Information

As at 31 March 2020, the Group had 21 (2019: 17) 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.

Prospects

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 2020.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31 March 2020, 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 2020.

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 2020, 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 Directors, Ms. Wang Miaojun and Ms. Wang Yujie were unable to attend the annual general meeting of the Company held on 27 September 2019.

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 2020.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2020, 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 2020, 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 2020, 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 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 2020.

Audit Committee

During the year ended 31 March 2020, 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 auditor, to recommend the appointment of external auditor 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 consolidated 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 2020. 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

Reference is made to the circular of the Company dated 26 March 2020 (the "Circular") and the announcements of the Company dated 23 April 2020 and 10 June 2020 relating to (a) the share consolidation which every twenty (20) issued and unissued Existing Shares of par value HK$0.02 each in the share capital of the Company consolidated into one (1) Consolidated Share of par value HK$0.4 each in the share capital of the Company; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK$0.07 each in the share capital of the Company consolidated into one (1) Consolidated Preference Share of par value HK$1.40 each in the share capital of the Company (the "Share Consolidation"); and (b) the capital reduction and share sub-division which each of the authorised but unissued Consolidated Shares of par value HK$0.4 each and the authorised but unissued Consolidated Preference Shares of par value HK$1.40 each be sub-divided into ten (10) New Shares of par value HK$0.04 each and ten (10) New Preference Shares of par value HK$0.14 each respectively. Unless the context otherwise requires, terms used in this note shall have the same meanings as those defined in the Circular.

Subsequent to the year end date of 31 March 2020, the Share consolidation became effective on 21 May 2020 and the petition hearing for confirmation of the Capital Reduction and the Share Sub-division will be held on Thursday, 23 July 2020 (Cayman Islands time) at the Court.

For further details, please refer to the Circular.

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 2020 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 2020

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.