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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

INTERIM RESULTS

The board (“Board”) of directors (“Directors”) of China National Culture Group Limited (“Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 together with the comparative unaudited figures for the corresponding period in 2019. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee (“Audit Committee”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

		Six months ended	
		30 September	
		2020	2019
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	5	28,136	32,599
Cost of sales		<u>(24,242)</u>	<u>(24,409)</u>
Gross profit		3,894	8,190
Other gains or losses	5	22	4,321
Administrative expenses		<u>(14,323)</u>	<u>(20,935)</u>
Loss before taxation	6	(10,407)	(8,424)
Taxation	7	<u>736</u>	<u>1,688</u>
Loss for the period		<u><u>(9,671)</u></u>	<u><u>(6,736)</u></u>
Attributable to:			
– Owners of the Company		(9,671)	(6,736)
– Non-controlling interests		<u>–</u>	<u>–</u>
		<u><u>(9,671)</u></u>	<u><u>(6,736)</u></u>
Loss per share	9		
For loss for the period			
– basic and diluted (HK cents)		(1.88)	(1.37)
		<u><u>(1.88)</u></u>	<u><u>(1.37)</u></u> (restated)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	<u>(9,671)</u>	<u>(6,736)</u>
Other comprehensive (loss)/income		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	(1,954)	(325)
Items that will not be reclassified to profit or loss:		
Fair value gain(loss) on investment in equity instruments at fair value through other comprehensive income (“FVTOCI”)	<u>204</u>	<u>(2,657)</u>
Other comprehensive loss for the period, net of income tax	<u>(1,750)</u>	<u>(2,982)</u>
Total comprehensive loss for the period	<u><u>(11,421)</u></u>	<u><u>(9,718)</u></u>
Attributable to:		
– Owners of the Company	(11,421)	(9,718)
– Non-controlling interests	<u>–</u>	<u>–</u>
	<u><u>(11,421)</u></u>	<u><u>(9,718)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	–	10
Right-of-use asset		–	60
Intangible assets		74,733	78,155
Equity instruments at FVTOCI	11	3,614	3,410
Prepayments for acquisition of film rights		10,750	5,750
		89,097	87,385
Current assets			
Financial assets held for trading	12	12,484	13,604
Accounts receivables	13	44,792	59,500
Prepayments, deposits and other receivables		6,204	6,552
Cash and cash equivalents		9,162	5,276
		72,642	84,932
Total assets		161,739	172,317
EQUITY			
Capital and reserves			
Share capital	15	23,555	196,288
Reserves		82,615	(86,539)
Total equity		106,170	109,749
LIABILITIES			
Current liabilities			
Accounts payable	14	17,792	22,942
Other payables and accruals		17,573	17,991
Provision		–	200
Lease liability		–	62
Tax payables		1,522	1,409
Contract liabilities		–	426
		36,887	43,030
Non-current liabilities			
Deferred tax liabilities	17	18,682	19,538
Total liabilities		55,569	62,568
Total equity and liabilities		161,739	172,317
Net current assets		35,755	41,902
Total assets less current liabilities		124,852	129,287
Net assets		106,170	109,749

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Attributable to owners of the Company			Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
			Exchange translation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>		
At 31 March 2020 (Audited) and 1 April 2020	196,288	1,233,312	(21,456)	7,341	(59,201)	(1,246,535)	109,749
Loss for the period	-	-	-	-	-	(9,671)	(9,671)
Other comprehensive loss for the period	-	-	(1,954)	-	-	-	(1,954)
Fair value gain on investments in equity instruments at FVTOCI	-	-	-	-	204	-	204
Total comprehensive loss for the period	-	-	(1,954)	-	204	(9,671)	(11,421)
Capital reduction	(176,659)	176,659	-	-	-	-	-
Placing of shares	3,926	2,294	-	-	-	-	6,220
Recognitions of equity-settled share-based payments	-	-	-	1,622	-	-	1,622
At 30 September 2020 (Unaudited)	23,555	1,412,265	(23,410)	8,963	(58,997)	(1,256,206)	106,170
At 31 March 2019 (Audited) and 1 April 2019	196,288	1,233,312	(9,599)	3,651	(50,292)	(1,154,924)	218,436
Loss for the period	-	-	-	-	-	(6,736)	(6,736)
Other comprehensive loss for the period	-	-	(325)	-	-	-	(325)
Fair value loss on investments in equity instruments at FVTOCI	-	-	-	-	(2,657)	-	(2,657)
Total comprehensive loss for the period	-	-	(325)	-	(2,657)	(6,736)	(9,718)
Recognitions of equity-settled share-based payments	-	-	-	8,891	-	-	8,891
At 30 September 2019 (Unaudited)	196,288	1,233,312	(9,924)	12,542	(52,949)	(1,161,660)	217,609

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(4,280)	(4,637)
Net cash inflow/(outflow) from investing activities	1,946	(3,228)
Net cash inflow from financing activities	6,220	—
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	3,886	(7,865)
Cash and cash equivalents at the beginning of the period	5,276	10,475
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period represented by cash and cash equivalents	<u>9,162</u>	<u>2,610</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 Unit 1104A, 11/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30 September 2020 (“Current Interim Period”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Interim Financial Statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2020 (“Annual Report”), which has been prepared in accordance with Hong Kong Financial Reporting Standards.

The Interim Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair value, as appropriate.

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

In preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

3. PRINCIPAL ACCOUNTING POLICIES

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

The preparation of the Unaudited Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2020. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and results reported for the current or prior accounting periods.

4. SEGMENT INFORMATION

For the purposes of resources allocation and performance assessment, information is reported to the chief operating decision maker of the Company, based on the following operating and reportable segments:

- (a) the advertising segment – provision of advertising and value added services through mobile devices;
- (b) the movie production segment – production and distribution of films and provision of other film related services; and
- (c) the e-commerce segment – sale of products over the internet.

Segment revenue and results

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

	Advertising		Movie		E-commerce		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:								
Contract revenue from external customers	20,473	25,629	-	-	7,663	6,970	28,136	32,599
Segment results	3,551	8,157	-	-	343	33	3,894	8,190
Other gains or losses							22	4,321
Corporate and other unallocated expenses							(14,323)	(20,935)
Loss before taxation							(10,407)	(8,424)
Taxation							736	1,688
Loss for the period							(9,671)	(6,736)

There were no inter-segment sales during the period (2019: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other segment information

	Advertising		Movie		E-commerce		Unallocated		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	3,422	3,609	-	-	10	-	60	-	3,492	3,609
Additions to non-current assets	-	-	5,000	-	-	-	-	-	5,000	-

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the People’s Republic of China (the “PRC”).

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:

	Hong Kong		The PRC		Total	
	Six months ended		Six months ended		Six months ended	
	30 September	30 September	30 September	30 September	30 September	30 September
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	1,787	6,970	26,349	25,629	28,136	32,599

	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2020	2020	2020	2020	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets	10,750	5,760	74,733	78,215	85,483	83,975

Revenue from its major services

The Group’s revenue from its major services was as follows:

	Six months ended	
	30 September	2019
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising	20,473	25,629
E-commerce	7,663	6,970
	<u>28,136</u>	<u>32,599</u>

Information about major customer

Revenue from customer for the six months ended 30 September 2020 contributing over 10% of the total revenue of the Group is generated from e-commerce business (2019: e-commerce business) and as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>6,346</u>	<u>6,970</u>

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2020 and 2019.

5. TURNOVER AND OTHER GAINS OR LOSSES

An analysis of the Group's turnover and other gains or losses is as follows:

	Six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover:		
Advertising income	20,473	25,629
E-commerce income	<u>7,663</u>	<u>6,970</u>
	<u>28,136</u>	<u>32,599</u>
Timing of revenue recognition		
Point in time	7,663	6,970
Over time	<u>20,473</u>	<u>25,629</u>
	<u>28,136</u>	<u>32,599</u>

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.

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other gains or losses:		
Net realised and unrealised fair value gain/(loss) on financial assets held for trading	824	4,261
Realised gain on disposal of equity instruments at FVTOCI	–	102
Impairment loss in respect of accounts receivable	(922)	–
Others	120	(42)
	<hr/>	<hr/>
	22	4,321
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAXATION

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

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Fee	378	378
– Pension scheme contribution	11	9
	<hr/>	<hr/>
	389	387
	<hr/>	<hr/>
Depreciation and amortisation	3,492	3,609
Share-based payment expense	1,622	8,891
Staff costs (excluding directors' remuneration)		
– Wage and salaries	1,304	1,015
– Pension scheme contribution	56	13
	<hr/>	<hr/>
	1,360	1,028
	<hr/> <hr/>	<hr/> <hr/>

7. TAXATION

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	120	(796)
Deferred tax		
Current period	(856)	(892)
	<u>(736)</u>	<u>(1,688)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2020 and 2019.

8. DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 September 2020 and 2019. The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2020 (30 September 2019: Nil).

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(9,671)</u>	<u>(6,736)</u>
	Six months ended 30 September	
	2020	2019
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of shares of the Company for the purpose of basic and diluted loss per share	<u>513,369</u>	<u>490,721</u> (restated)

Diluted loss per share for the six months ended 30 September 2020 were the same as basic loss per share as the potential share was anti-dilutive. Diluted loss per share were the same as basic loss per share as there were no potential dilutive shares in existence during the six months ended 30 September 2019.

During the period, the Company implemented the share consolidation of every twenty shares into one consolidated share (the “Share Consolidation”). The Share Consolidation were completed on 21 May 2020. Accordingly, the weighted average number of shares for the purposes of basic and diluted loss per share has been adjusted for both periods. For details, please refer to the Company’s announcement dated 19 May 2020.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020 and 2019, the Group did not acquire any property, plant and equipment.

11. EQUITY INSTRUMENTS AT FVTOCI

	At 30 September 2020 <i>HK\$’000</i> (Unaudited)	At 31 March 2020 <i>HK\$’000</i> (Audited)
Listed investments:		
Equity securities listed in Hong Kong (<i>Note</i>)	<u>3,614</u>	<u>3,410</u>

Note:

(a) At the end of the reporting period, details of investment in equity instruments at FVTOCI are as follows:

Stock code	Fair value gain <i>HK\$’000</i> (Unaudited)	At 30 September 2020 <i>HK\$’000</i> (Unaudited)
1327.HK	171	2,400
Others	33	1,214
	<u>204</u>	<u>3,614</u>

Luxxu Group Limited (stock code: 1327.HK) (“Luxxu”) is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches. Based on Luxxu’s interim report for the six months ended 30 June 2020, revenue and loss of Luxxu were approximately RMB41,300,000 and RMB16,259,000 respectively.

Except the investments disclosed above, at 30 September 2020, there was no investment in equity instruments at FVTOCI held by the Group the value of which was more than 5% of the total assets of the Group.

- (b) The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the period ended 30 September 2020, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK\$58,997,000 (31 March 2020: HK\$59,201,000).

12. FINANCIAL ASSETS HELD FOR TRADING

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Equity securities listed in Hong Kong	<u>12,484</u>	<u>13,604</u>

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

Stock code	Fair value gain/(loss) <i>HK\$'000</i> (Unaudited)	At 30 September 2020 <i>HK\$'000</i> (Unaudited)
736.HK	(442)	3,007
Others	<u>801</u>	<u>9,477</u>
	<u>359</u>	<u>12,484</u>

China Properties Investment Holdings Limited (stock code: 736.HK) (“CPIHL”) is principally engaged in properties investments, money lending and financial services. Based on CPIHL’s annual report for the year ended 31 March 2020, revenue and loss of CPIHL were approximately HK\$51,799,000 and HK\$92,591,000 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.

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

As at 30 September 2020 and 31 March 2020, except the investments disclosed above, none of the equity securities listed in Hong Kong represented more than 5% of the Group’s total assets.

13. ACCOUNTS RECEIVABLES

The following is an aged analysis of accounts receivables, based on the date of recognition of revenue, at the end of the reporting period:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	4,517	3,664
31 – 60 days	3,013	2,927
61 – 90 days	4,215	4,403
91 – 365 days	24,464	38,885
Over 365 days	11,899	12,015
	<hr/>	<hr/>
	48,108	61,894
Less: impairment loss in respect of accounts receivables	(3,316)	(2,394)
	<hr/>	<hr/>
	<u>44,792</u>	<u>59,500</u>

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

14. ACCOUNTS PAYABLE

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	1,693	1,799
31 – 60 days	1,343	1,681
61 – 365 days	11,775	17,337
Over 365 days	2,981	2,125
	<hr/>	<hr/>
	<u>17,792</u>	<u>22,942</u>

15. SHARE CAPITAL

	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised:		
Share capital of HK\$0.02 each:		
At 1 April 2020	50,000,000	1,000,000
Share Consolidation	(47,500,000)	–
Capital reduction (<i>note (i)</i>)	22,500,000	–
	<u>25,000,000</u>	<u>1,000,000</u>
Share capital of HK\$0.04 each at 30 September 2020	<u>25,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
Share capital of HK\$0.02 each:		
At 1 April 2020	9,814,410	196,288
Share Consolidation	(9,323,689)	–
Capital reduction (<i>note (i)</i>)	–	(176,659)
Placing of shares (<i>note (ii)</i>)	98,144	3,926
	<u>588,865</u>	<u>23,555</u>
Share capital of HK\$0.04 each at 30 September 2020	<u>588,865</u>	<u>23,555</u>

16. NON-VOTING CONVERTIBLE PREFERENCE SHARES

	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised:		
Non-voting convertible preference shares of HK\$0.07 each:		
At 1 April 2020	7,000,000	490,000
Share Consolidation	(6,650,000)	–
Capital reduction (<i>note (i)</i>)	3,150,000	–
	<u>3,500,000</u>	<u>490,000</u>
Non-voting convertible preference shares of HK\$0.14 each at 30 September 2020	<u>3,500,000</u>	<u>490,000</u>
Issued and fully paid:		
Non-voting convertible preference shares of HK\$0.07 each:		
At 1 April 2020	–	–
Share Consolidation	–	–
Capital reduction (<i>note (i)</i>)	–	–
	<u>–</u>	<u>–</u>
Non-voting convertible preference shares of HK\$0.14 each at 30 September 2020	<u>–</u>	<u>–</u>

Note:

- (i) On 28 July 2020, the par value of the ordinary shares of HK\$0.40 each is reduced to HK\$0.04 each by cancelling the paid-up capital to the extent of HK\$0.36 each of the shares. And the par value of the non-voting convertible preference shares of HK\$1.40 each is reduced to HK\$0.14 each by cancelling the paid-up capital to the extent of HK\$1.26 each of the non-voting convertible preference shares. For details, please refer to the Company's announcement dated 28 July 2020.
- (ii) On 19 August 2020, 98,144,100 placing shares of the Company have been successfully placed by the placing agent. For details, please refer to the Company's announcement dated 19 August 2020.

17. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from acquisition of subsidiaries <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2020 (Audited) and 1 April 2020	(19,538)	(19,538)
Credited to profit or loss	856	856
	<hr/>	<hr/>
At 30 September 2020 (Unaudited)	(18,682)	(18,682)
	<hr/> <hr/>	<hr/> <hr/>

18. SHARE OPTION SCHEMES

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

The following table summaries the movements in the Company’s share options during the six months ended 30 September 2020.

	Grant date	At 1 April 2020	Granted during the period	Lapsed during the period	At 30 September 2020	Exercise period	Exercise price per share HK\$
Executive Directors							
Sun Wei	21 August 2019	4,907,000	–	–	4,907,000	21 August 2019 – 20 August 2025	0.40
Man Qiaozhen	21 August 2019	4,907,000	–	–	4,907,000	21 August 2019 – 20 August 2025	0.40
Independent non-executive Directors							
Wang Miaojun	18 August 2020	–	4,907,000	–	4,907,000	18 August 2020 – 17 August 2025	0.076
Wang Yujie	18 August 2020	–	4,907,000	–	4,907,000	18 August 2020 – 17 August 2025	0.076
Other eligible employees	2 August 2017	4,907,000	–	(4,907,000)	–	2 August 2017 – 28 August 2024	0.40
	21 August 2019	29,442,000	–	–	29,442,000	21 August 2019 – 20 August 2025	0.40
	18 August 2020	–	39,256,000	–	39,256,000	18 August 2020 – 17 August 2025	0.076
Consultants	2 August 2017	44,165,000	–	(44,165,000)	–	2 August 2017 – 28 August 2024	0.40
	21 August 2019	9,814,000	–	–	9,814,000	21 August 2019 – 20 August 2025	0.40
		<u>98,142,000</u>	<u>49,070,000</u>	<u>(49,072,000)</u>	<u>98,140,000</u>		

Notes:

- (1) The share options granted on 2 August 2017, 21 August 2019 and 18 August 2020 were fully vested immediately.
- (2) During the six months ended 30 September 2020, 49,070,000 share options were granted and 49,072,000 share options were lapsed, no share option was exercised nor cancelled under the Share Option Scheme.
- (3) The closing price of the Company’s shares immediately before the date of grant of share options on 18 August 2020 was HK\$0.075.

19. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2020 and 2019, in addition to the balance disclosed elsewhere in Interim Financial Statements, the Group had the following material transactions with related parties:

Key management personnel

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	210	210
Share-based payment expense	—	1,778
	<u>210</u>	<u>1,988</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

The Board does not recommend the payment of interim dividend for the Current Interim Period.

Business Review

For the six months ended 30 September 2020, the Group recorded a turnover of approximately HK\$28,136,000 (2019: HK\$32,599,000), representing a decrease of 14% as compared with corresponding period last year. The decrease was mainly due to outbreak of COVID19 and the global economic downturn as well as in Hong Kong which affect the consumption demand. Gross profit decreased to approximately HK\$3,894,000 in the Current Interim Period (2019: HK\$8,190,000). The gross profit margin decreased to 13.8% in the Current Interim Period from 25.1% in the corresponding period last year. The decrease of gross profit was mainly due to the decrease of gross profit margin in relation to the advertising segment. Administrative expenses decreased to approximately HK\$14,323,000 for the six months ended 30 September 2020 from approximately HK\$20,935,000 for the corresponding period last year. The decrease was mainly due to the share-based payment expense of approximately HK\$1,622,000 (2019: HK\$8,891,000).

Loss attributable to the owners of the Company amounted to approximately HK\$9,671,000 in the Current Interim Period (2019: HK\$6,736,000) and loss per share for the period was HK\$1.88 cents in the Current Interim Period (2019: loss per share of HK\$1.37 cents (restated)).

Advertising business

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

E-commerce business

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

Financial Review

Liquidity and financing

The Group had total cash and bank balances of approximately HK\$9,162,000 as at 30 September 2020 (31 March 2020: HK\$5,276,000). The Group recorded total current assets of approximately HK\$72,642,000 as at 30 September 2020 (31 March 2020: HK\$84,932,000) and total current liabilities of approximately HK\$36,887,000 as at 30 September 2020 (31 March 2020: HK\$43,030,000).

There were no bank borrowings as at 30 September 2020 (31 March 2020: Nil). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets remained as zero (31 March 2020: zero).

Capital structure

Authorised share capital

As at 30 September 2020, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,490,000,000.00 divided into 25,000,000,000 shares ("Shares") of HK\$0.04 each and 3,500,000,000 non-voting convertible preference shares of HK\$0.14 each. Save for those disclosed in this interim result announcement, the Authorised Share Capital had no change during the Current Interim Period.

Issued share capital

As at 30 September 2020, the number of Shares in issue was 588,864,600 Shares of HK\$0.04 each. Save for those disclosed in this interim result announcement, the issued share capital of the Company had no change during the Current Interim Period. During the period, the Group did not utilize the net proceeds from placing completed and the unutilised net proceeds are placed in the bank accounts of the Group.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 September 2020, no asset was pledged by the Group (31 March 2020: Nil).

Capital commitment

As at 30 September 2020, the Group had no material capital commitment (31 March 2020: Nil).

Contingent liabilities

As at 30 September 2020, the Group had no material contingent liabilities (31 March 2020: 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 interim result announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the Current Interim Period. Apart from those disclosed in this interim result announcement, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this interim result announcement.

No Material Changes

Saved as disclosed in this interim result announcement, from 1 April 2020 to 30 September 2020, there were no material changes affecting the Company's performance that needed to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Share Option

The Company has adopted the existing 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 29 September 2020.

As at 30 September 2020 and at no time during the Current Interim Period 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 (the "Directors") to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

During the six months ended 30 September 2020, 49,070,000 share options were granted and 49,072,000 share options were lapsed, no share option was exercised nor cancelled under the Share Option Scheme.

Employment Information

As at 30 September 2020, the Group had 27 full time employees whom are employed in Hong Kong and the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Prospect

The Group has 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, e-commerce and movie production 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

Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

At 30 September 2020, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise require notification to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”), were as follows:

Long position in shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Capacity and nature of interests	Number of Shares held (long position)	Approximate percentage of shareholding
SUN Wei	Beneficial owner	4,907,000 <i>(note (i))</i>	0.83%
MAN Qiaozhen	Beneficial owner	4,907,000 <i>(note (i))</i>	0.83%
WANG Miaojun	Beneficial owner	4,907,000 <i>(note (ii))</i>	0.83%
WANG Yujie	Beneficial owner	4,907,000 <i>(note (ii))</i>	0.83%

Note:

- (i) Ms. Sun Wei and Ms. Man Qiaozhen were granted the options under the Share Option Scheme of the Company on 21 August 2019 at an exercise price of HK\$0.40 per Share with the exercisable period from 21 August 2019 to 20 August 2025 (both dates inclusive).
- (ii) Ms. Wang Miaojun and Ms. Wang Yujie were granted the options under the Share Option Scheme of the Company on 18 August 2020 at an exercise price of HK\$0.076 per Share with the exercisable period from 18 August 2020 to 17 August 2025 (both dates inclusive).

Save as disclosed above, as at 30 September 2020, none of the directors or the chief executive of the Company had registered any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register pursuant to section 352 of the SFO, or as otherwise require notification to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

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

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

As at 30 September 2020, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, there was 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 which competed or might compete directly or indirectly with the business of the Group for the six months ended 30 September 2020.

Purchase, Sale or Redemption of Securities

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

Model Code for Securities Transactions by Directors

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

Code on Corporate Governance

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 Current Interim Period.

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 six months ended 30 September 2020, the Company has not appointed the Chairman and thus there has been no segregation of duties during the period.

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 and Ms. Wang Yujie, were unable to attend the extraordinary general meeting and annual general meeting of the Company held on 19 May 2020 and 29 September 2020 respectively.

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.

Changes in the Information of the Directors Since the Date of the Annual Report

Since 30 July 2020 (the date of publication of the Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Audit Committee

During the six months ended 30 September 2020 and at the date of this announcement, 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 possesses 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 unaudited condensed consolidated interim financial information for the six months ended 30 September 2020. After review and discussions, the Audit Committee recommended the Board to approve the Interim Financial Statements.

Subsequent Events After the Reporting Period

On 28 October 2020, Mr. Shi Junfeng has been appointed as the Chief Executive Officer of the Company and its subsidiaries. For details, please refer to the Company’s announcement dated 28 October 2020. Saved as disclosed in this interim result announcement, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period ended 30 September 2020 requiring disclosure in this interim result announcement.

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, 27 November 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.