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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)

**SUPPLEMENTAL ANNOUNCEMENT –
IN RELATION TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

Reference is made to the annual report (the “**Annual Report**”) of China National Culture Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2020 published on 29 June 2020. Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

Further to the information disclosed in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide to the shareholders of the Company and the potential investors with the following supplementary information on share option scheme which is set out in the section headed “SHARE OPTION SCHEME” in the Report of the Directors:

SHARE OPTION SCHEME

ACCOUNTING POLICY ADOPTED FOR THE SHARE OPTIONS

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to accumulated losses. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

During the year ended 31 March 2020, 9,814,000 options were granted to the 2 consultants of the Company who provide consultancy services, business development and other technological support to the Group, including but not limited to provision of technological services in relation to the e-commerce business; and sourcing potential business development opportunity to the Group.

Business segment	Services provided/providing	Number of options	Number of consultants
E-commerce	Provision of technological consultancy services	4,907,000	1
E-commerce, advertising and movie	Sourcing potential business development opportunity	4,907,000	1
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		9,814,000	

Note:

- (i) The number of the Company's share options were adjusted for the share consolidation effective on 21 May 2020.

The management consider that in view of the limited resources of the Group and to maintain a long-term growth, the options granted to the consultants can help to retain and motivates these non-employees to generate growth in company value. The options were granted as an incentive for these consultants to provide ongoing service to the Group and to maintain a long-term relationship with them so that the Group can maintain a streamline operation with stability. Apart from the options granted, the Company has not provided any other remuneration to these consultants for their services provided.

The closing price of the shares immediately before the date of share options granted on 21 August 2019 is HK\$0.013.

Save as disclosed in this announcement, the remaining contents of the Annual Report remain unchanged.

By Order of the Board
China National Culture Group Limited
SHI Junfeng
Chairman and Executive Director

Hong Kong, 29 June 2021

As at the date of this announcement, the Board comprises Mr. SHI Junfeng (Chairman), 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.