

# CNCG

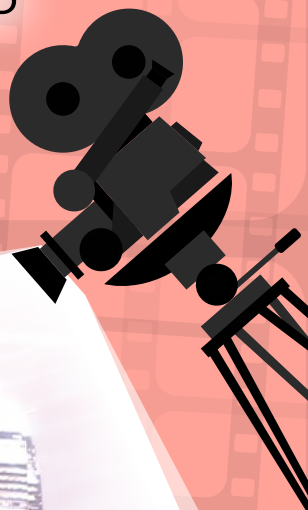
CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 745

INTERIM REPORT

2021



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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended 30 September	
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Turnover	5	36,304	28,136
Cost of sales		(30,448)	(24,242)
Gross profit		5,856	3,894
Other gains or losses	5	(5,176)	22
Administrative expenses		(9,221)	(14,323)
Loss before taxation	6	(8,541)	(10,407)
Taxation	7	133	736
Loss for the period		(8,408)	(9,671)
Attributable to:			
– Owners of the Company		(8,408)	(9,671)
– Non-controlling interests		–	–
		(8,408)	(9,671)
Loss per share	9		
For loss for the period			
– basic and diluted (HK cents)		(1.20)	(1.88)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the period	<b>(8,408)</b>	(9,671)
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	<b>(960)</b>	(1,954)
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")	<b>3,776</b>	204
Other comprehensive income/(loss) for the period, net of income tax	<b>2,816</b>	(1,750)
Total comprehensive loss for the period	<b>(5,592)</b>	(11,421)
Attributable to:		
– Owners of the Company	<b>(5,592)</b>	(11,421)
– Non-controlling interests	–	–
	<b>(5,592)</b>	(11,421)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
	Notes		
<b>ASSETS</b>			
Non-current assets			
Intangible assets		30,158	30,965
Equity instruments at FVTOCI	11	8,175	4,400
Prepayments for acquisition of a film right/investment in a film right		5,000	–
		<u>43,333</u>	<u>35,365</u>
Current assets			
Financial assets held for trading	12	22,993	20,185
Accounts receivables	13	32,314	38,312
Prepayments, deposits and other receivables		2,271	2,219
Cash and cash equivalents		15,681	5,725
		<u>73,259</u>	<u>66,441</u>
Total assets		<u>116,592</u>	<u>101,806</u>
<b>EQUITY</b>			
Capital and reserves			
Share capital	15	29,247	23,555
Reserves		53,162	42,295
		<u>82,409</u>	<u>65,850</u>
Total equity		<u>82,409</u>	<u>65,850</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2021

		At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	14	9,621	10,821
Other payables and accruals		16,955	16,517
Contract liabilities		–	878
		<u>26,576</u>	<u>28,216</u>
Non-current liabilities			
Deferred tax liabilities	17	<u>7,607</u>	7,740
Total liabilities		<u>34,183</u>	35,956
Total equity and liabilities		<u>116,592</u>	101,806
Net current assets		<u>46,683</u>	38,225
Total assets less current liabilities		<u>90,016</u>	73,590
Net assets		<u>82,409</u>	65,850

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	
<b>At 31 March 2021 (Audited) and 1 April 2021</b>	<b>23,555</b>	<b>1,412,265</b>	<b>(17,587)</b>	<b>5,029</b>	<b>(58,211)</b>	<b>(1,299,201)</b>	<b>65,850</b>
Loss for the period	-	-	-	-	-	(8,408)	(8,408)
Other comprehensive loss for the period:							
Exchange difference on translating foreign operations	-	-	(960)	-	-	-	(960)
Fair value gain on investments in equity instruments at FVTOCI	-	-	-	-	3,776	-	3,776
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(960)</b>	<b>-</b>	<b>3,776</b>	<b>(8,408)</b>	<b>(5,592)</b>
Placing of shares	4,711	11,941	-	-	-	-	16,652
Issue of shares upon exercise of share options	981	2,728	-	(1,845)	-	-	1,864
Recognitions of equity-settled share-based payments	-	-	-	3,635	-	-	3,635
<b>At 30 September 2021 (Unaudited)</b>	<b>29,247</b>	<b>1,426,834</b>	<b>(18,547)</b>	<b>6,819</b>	<b>(54,435)</b>	<b>(1,307,609)</b>	<b>82,409</b>
<b>At 31 March 2020 (Audited) and 1 April 2020</b>	<b>196,288</b>	<b>1,233,312</b>	<b>(21,456)</b>	<b>7,341</b>	<b>(59,201)</b>	<b>(1,246,535)</b>	<b>109,749</b>
Loss for the period	-	-	-	-	-	(9,671)	(9,671)
Other comprehensive loss for the period:							
Exchange difference on translating foreign operations	-	-	(1,954)	-	-	-	(1,954)
Fair value gain on investments in equity instruments at FVTOCI	-	-	-	-	204	-	204
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(1,954)</b>	<b>-</b>	<b>204</b>	<b>(9,671)</b>	<b>(11,421)</b>
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
<b>At 30 September 2020 (Unaudited)</b>	<b>23,555</b>	<b>1,412,265</b>	<b>(23,410)</b>	<b>8,963</b>	<b>(58,997)</b>	<b>(1,256,206)</b>	<b>106,170</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	<b>(3,117)</b>	(4,280)
Net cash (outflow) inflow from investing activities	<b>(5,443)</b>	1,946
Net cash inflow from financing activities	<b>18,516</b>	6,220
Net increase/(decrease) in cash and cash equivalents	<b>9,956</b>	3,886
Cash and cash equivalents at the beginning of the period	<b>5,725</b>	5,276
Cash and cash equivalents at the end of the period represented by cash and cash equivalents	<b>15,681</b>	9,162



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

### 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 2021 (“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 2021 (“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 2021.

### **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 2021. 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.

#### 4. Segment information (continued) Segment revenue and results

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

	Advertising Six months ended		Movie Six months ended		E-commerce Six months ended		Consolidated Six months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue:								
Contract revenue from external customers	30,902	20,473	3,000	-	2,402	7,663	36,304	28,136
Segment results	4,854	3,551	962	-	40	343	5,856	3,894
Other gains or losses Corporate and other unallocated expenses							(5,176)	22
							(9,221)	(14,323)
Loss before taxation							(8,541)	(10,407)
Taxation							133	736
Loss for the period							(8,408)	(9,671)

There were no inter-segment sales during the period (2020: 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 Six months ended		Movie Six months ended		E-commerce Six months ended		Unallocated Six months ended		Consolidated Six months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Depreciation and amortisation	807	3,422	-	-	-	10	-	60	807	3,492
Additions to non-current assets	-	-	7,000	5,000	-	-	-	-	7,000	5,000

**4. Segment information (continued)**  
**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
	2021	2020	2021	2020	2021	2020
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue from external customers	<b>2,402</b>	1,787	<b>33,902</b>	26,349	<b>36,304</b>	28,136
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2021	2021	2021	2021	2021	2021
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets	-	-	<b>35,158</b>	30,965	<b>35,158</b>	30,965

**Revenue from its major services**

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

	Six months ended	
	30 September	
	2021	2020
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Advertising	<b>30,902</b>	20,473
Movie	<b>3,000</b>	-
E-commerce	<b>2,402</b>	7,663
	<b>36,304</b>	28,136

**4. Segment information (continued)**  
**Information about major customer**

Revenue from customer for the six months ended 30 September 2021 contributing over 10% of the total revenue of the Group is generated from e-commerce business (2019: e-commerce business) and as follows:

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	<b>N/A*</b>	<b>6,346</b>

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2021 and 2020.

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

**5. Turnover and other gains or losses**

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

	<b>Six months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Turnover:</b>		
Advertising income	<b>30,902</b>	<b>20,473</b>
Movie	<b>3,000</b>	<b>–</b>
E-commerce income	<b>2,402</b>	<b>7,663</b>
	<b>36,304</b>	<b>28,136</b>
<b>Timing of revenue recognition</b>		
Point in time	<b>5,402</b>	<b>7,663</b>
Over time	<b>30,902</b>	<b>20,473</b>
	<b>36,304</b>	<b>28,136</b>

5. **Turnover and other gains or losses** (Continued)

**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) *Movie*

Revenue from e-movie is therefore recognised at a point in time when the film right 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.

c) *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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other gains or losses:</b>		
Net realised and unrealised fair value gain/(loss) on financial assets held for trading	<b>(2,636)</b>	824
Impairment loss in respect of accounts receivable	<b>(2,539)</b>	(922)
Others	<b>(1)</b>	120
	<b>(5,176)</b>	22

## 6. Loss before taxation

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Fee	378	378
– Pension scheme contribution	–	11
	<u>378</u>	<u>389</u>
Depreciation and amortisation	807	3,492
Share-based payment expense	3,635	1,622
Staff costs (excluding directors' remuneration)		
– Wage and salaries	1,257	1,304
– Pension scheme contribution	14	56
	<u>1,271</u>	<u>1,360</u>

## 7. Taxation

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
Hong Kong	–	120
<b>Deferred tax</b>		
Current period	(133)	(856)
	<u>(133)</u>	<u>(736)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2021 and 2020.

**8. Dividends**

No dividend was paid, declared or proposed during the six months ended 30 September 2021 and 2020. 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 2021 (30 September 2020: 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(8,408)</b>	<b>(9,671)</b>

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of shares of the Company for the purpose of basic and diluted loss per share	<b>700,031</b>	<b>513,369</b>

Diluted loss per share for the six months ended 30 September 2021 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 2020.

**10. Movements in property, plant and equipment**

During the six months ended 30 September 2021 and 2020, the Group did not acquire any property, plant and equipment.



## 11. Equity instruments at FVTOCI

	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>	At 31 March 2021 HK\$'000 (Audited)
Listed investments:		
Equity securities listed in Hong Kong (Note)	<b>8,175</b>	4,400

Note:

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

<b>Stock code</b>	<b>Fair value gain HK\$'000 (Unaudited)</b>	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>
1327.HK	3,514	5,485
Others	262	2,690
	<b>3,776</b>	<b>8,175</b>

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 2021, revenue and loss of Luxxu were approximately RMB48,954,000 and RMB8,632,000 respectively.

Except the investments disclosed above, at 30 September 2021, 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 2021, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK\$54,435,000 (31 March 2021: HK\$58,211,000) .

## 12. Financial assets held for trading

	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>	<b>At 31 March 2021 HK\$'000 (Audited)</b>
Equity securities listed in Hong Kong	<b>22,993</b>	20,185

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

<b>Stock code</b>	<b>Fair value gain/(loss) HK\$'000 (Unaudited)</b>	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>
986.HK	747	6,190
Others	<b>(3,383)</b>	<b>16,803</b>
	<b>(2,636)</b>	<b>22,993</b>

China Environmental Energy Investment Limited (stock code: 986.HK) ("CEE") is principally engaged in design, OEM, marketing and sales of jewellery and money lending. Based on CEE's annual report for the year ended 31 March 2021, revenue and profit of CEE were approximately HK\$105,651,000 and HK\$4,447,000 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 2021 and 31 March 2021, 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:

	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>	<b>At 31 March 2021 HK\$'000 (Audited)</b>
Within 30 days	4,510	5,016
31 – 60 days	2,222	4,960
61 – 90 days	1,866	4,775
91 – 365 days	23,716	23,754
Over 365 days	25,010	22,278
	<b>57,324</b>	<b>60,783</b>
Less: impairment loss in respect of accounts receivables	<b>(25,010)</b>	<b>(22,471)</b>
	<b>32,314</b>	<b>38,312</b>

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:

	<b>At 30 September 2021 HK\$'000 (Unaudited)</b>	<b>At 31 March 2021 HK\$'000 (Audited)</b>
0 – 30 days	1,827	827
31 – 60 days	1,923	828
61 – 365 days	3,686	8,083
Over 365 days	2,185	1,083
	<b>9,621</b>	<b>10,821</b>

## 15. Share capital

	Number of Shares '000	Nominal value of Shares HK\$'000
<b>Authorised:</b>		
Share capital of HK\$0.04 each at 1 April 2021 and 30 September 2021	25,000,000	1,000,000
<b>Issued and fully paid:</b>		
Share capital of HK\$0.04 each:		
At 1 April 2021	588,864	23,555
Placing of shares (note (i))	117,773	4,711
Issue of shares upon exercise of share options (note (ii))	24,535	981
Share capital of HK\$0.04 each at 30 September 2021	731,172	29,247

## 16. Non-voting convertible preference shares

	Number of Shares '000	Nominal value of Shares HK\$'000
<b>Authorised:</b>		
Non-voting convertible preference shares of HK\$0.14 each at 1 April 2021 and 30 September 2021	3,500,000	490,000
<b>Issued and fully paid:</b>		
Non-voting convertible preference shares of HK\$0.14 each at 1 April 2021 and 30 September 2021	-	-

Note:

- (i) On 26 April 2021, 117,772,920 placing shares of the Company have been successfully placed by the placing agent.
- (ii) On 21 July 2021, 24,535,000 shares of the Company have been issued upon exercise of share options.

## 17. Deferred tax liabilities

	<b>Fair value adjustments arising from acquisition of subsidiaries</b> HK\$'000
At 31 March 2021 (Audited) and 1 April 2021	(7,740)
Credited to profit or loss	133
<b>At 30 September 2021 (Unaudited)</b>	<b>(7,607)</b>

## 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.

## 18. Share option schemes (continued)

The following table summaries the movements in the Company's share options during the six months ended 30 September 2021.

	Grant date	At 1 April 2021	Granted during the period	Exercised during the period	At 30 September 2021	Exercise period	Exercise price per share HK\$
<b>Executive Directors</b>							
Sun Wei	21 August 2019	4,907,000	-	-	4,907,000	21 August 2019 – 20 August 2025	0.40
	11 August 2021	-	5,888,000	-	5,888,000	11 August 2021 – 10 August 2024	0.161
Man Qiaozhen	21 August 2019	4,907,000	-	-	4,907,000	21 August 2019 – 20 August 2025	0.40
	11 August 2021	-	5,888,000	-	5,888,000	11 August 2021 – 10 August 2024	0.161
<b>Independent non-executive Directors</b>							
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	21 August 2019	29,442,000	-	-	29,442,000	21 August 2019 – 20 August 2025	0.40
	18 August 2020	39,256,000	-	(24,535,000)	14,721,000	18 August 2020 – 17 August 2025	0.076
	11 August 2021	-	47,104,000	-	47,104,000	11 August 2021 – 10 August 2024	0.161
Consultants	21 August 2019	9,814,000	-	-	9,814,000	21 August 2019 – 20 August 2025	0.40
		<u>98,140,000</u>	<u>58,880,000</u>	<u>(24,535,000)</u>	<u>132,485,000</u>		

### Notes:

- (1) The share options granted on 21 August 2019, 18 August 2020 and 11 August 2021 were fully vested immediately.
- (2) During the six months ended 30 September 2021, 58,880,000 share options were granted and 24,535,000 share options were exercised, no share option was lapsed 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 11 August 2021 was HK\$0.155.

## 19. Related party transactions

During the six months ended 30 September 2021 and 2020, 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	378	210
Share-based payment expense	–	–
	<b>378</b>	<b>210</b>

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 2021, the Group recorded a turnover of approximately HK\$36,304,000 (2020: HK\$28,136,000), representing an increase of 29.0% as compared with corresponding period last year. The increase was mainly due to recovery of the global economic downturn as well as in Hong Kong since the outbreak of COVID19. Gross profit increased to approximately HK\$5,856,000 in the Current Interim Period (2020: HK\$3,894,000). The gross profit margin increased to 16.1% in the Current Interim Period from 13.8% in the corresponding period last year. The increase of gross profit was mainly due to the increase of turnover generated from the advertising segment which has a better gross profit margin. Administrative expenses decreased to approximately HK\$9,221,000 for the six months ended 30 September 2021 from approximately HK\$14,323,000 for the corresponding period last year. The decrease was mainly due to the decrease of depreciation and amortisation for the six months ended 30 September 2021.

Loss attributable to the owners of the Company amounted to approximately HK\$8,408,000 in the Current Interim Period (2020: HK\$9,671,000) and loss per share for the period was HK\$1.20 cents in the Current Interim Period (2020: loss per share of HK\$1.88 cents).

### 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\$15,681,000 as at 30 September 2021 (31 March 2021: HK\$5,725,000). The Group recorded total current assets of approximately HK\$73,259,000 as at 30 September 2021 (31 March 2021: HK\$66,441,000) and total current liabilities of approximately HK\$26,576,000 as at 30 September 2021 (31 March 2021: HK\$28,216,000).

There were no bank borrowings as at 30 September 2021 (31 March 2021: 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 2021: zero).

### ***Capital structure***

#### *Authorised share capital*

As at 30 September 2021, 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 report, the Authorised Share Capital had no change during the Current Interim Period.

#### *Issued share capital*

As at 30 September 2021, the number of Shares in issue was 731,172,520 Shares of HK\$0.04 each. Save for those disclosed in this interim report, the issued share capital of the Company had no change during the Current Interim Period.

### ***Use of proceeds***

On 26 April 2021, a total of 117,772,920 placing shares have been successfully placed by the placing agent to not less than six places at placing price of HK\$0.145 per placing share pursuant to the terms and conditions of the placing agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing. The net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing amounted to approximately HK\$16.7 million. The Company intends to use such net proceeds for the development of the Group's movie segment, including but not limited to the investment in, purchase of and distribution of film, web series and TV series contents.

Up to 30 September 2021, approximately HK\$7 million of the net proceeds has been utilized for investments in film. The unutilized 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 2021, no asset was pledged by the Group (31 March 2021: Nil).

### **Capital commitment**

As at 30 September 2021, the Group had no material capital commitment (31 March 2021: Nil).

### **Contingent liabilities**

As at 30 September 2021, the Group had no material contingent liabilities (31 March 2021: 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 report, 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 report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this interim report.

### **No Material Changes**

Saved as disclosed in this interim report, from 1 April 2021 to 30 September 2021, 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 28 September 2021.

As at 30 September 2021 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 2021, 58,880,000 share options were granted and 24,535,000 share options were exercised, no share option was lapsed nor cancelled under the Share Option Scheme.

### **Employment Information**

As at 30 September 2021, the Group had 22 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 2021, 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 AND UNDERLYING SHARES OF THE COMPANY

Name of Director	Number of issued ordinary shares/ underlying shares of the Company			Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Ms. Sun Wei					
- Unlisted share options	10,795,000	-	-	10,795,000	1.48%
Ms. Man Qiaozhen					
- Unlisted share options	10,795,000	-	-	10,795,000	1.48%
Ms. Wang Miaojun					
- Unlisted share options	4,907,000	-	-	4,907,000	0.67%
Ms. Wang Yujie					
- Unlisted share options	4,907,000	-	-	4,907,000	0.67%

Save as disclosed above, as at 30 September 2021, 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 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 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 2021, 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 2021.

### **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 28 September 2021 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 29 July 2021 (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 2021 and at the date of this report, 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 report, 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 2021. After review and discussions, the Audit Committee recommended the Board to approve the Interim Financial Statements.

### **Subsequent Events After the Reporting Period**

On 2 November 2021, 北京常富文化有限公司 (“Changfu Culture”), an indirectly wholly-owned subsidiary of the Group, and 浙江東陽國文影業有限公司 (“Guowen”, together with Changfu Culture, the “Parties”) has entered into a strategic cooperation agreement in relation to the strategic cooperation between the Parties relating to, among other things, investment in and distribution of film, web series and TV series contents (the “Strategic Cooperation”). For details of the Strategic Cooperation, please refer to the Company’s announcement dated 2 November 2021.

### **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**

### **SHI Junfeng**

*Chairman and Executive Director*

Hong Kong, 25 November 2021

*As at the date of this report, 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.*