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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 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of China National Culture Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited results of the Group for the six months ended 30 September 2022. This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities (“**Listing Rules**”) of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

By Order of the Board
China National Culture Group Limited
SUN Wei
Executive Director

Hong Kong, 29 November 2022

As at the date hereof, the executive Directors are Ms. SUN Wei and Ms. MAN Qiaozhen, and the independent non-executive Directors are Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie.



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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		Six months ended 30 September	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Turnover	5	41,321	36,304
Cost of sales		(35,199)	(30,448)
Gross profit		6,122	5,856
Other gains or losses	5	6,795	(5,176)
Administrative expenses		(13,178)	(9,221)
Loss before taxation	6	(261)	(8,541)
Taxation	7	133	133
Loss for the period		(128)	(8,408)
Attributable to:			
– Owners of the Company		(128)	(8,408)
– Non-controlling interests		–	–
		(128)	(8,408)
Loss per share	9		
For loss for the period			
– basic and diluted (HK cents)		(0.02)	(1.20)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
	<hr/>	<hr/>
Loss for the period	(128)	(8,408)
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	(905)	(960)
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")	(533)	3,776
	<hr/>	<hr/>
Other comprehensive income/(loss) for the period, net of income tax	(1,438)	2,816
	<hr/>	<hr/>
Total comprehensive loss for the period	(1,566)	(5,592)
	<hr/>	<hr/>
Attributable to:		
– Owners of the Company	(1,566)	(5,592)
– Non-controlling interests	–	–
	<hr/>	<hr/>
	(1,566)	(5,592)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

		At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Intangible assets		9,212	10,019
Equity instruments at FVTOCI	11	6,947	7,480
		16,159	17,499
Current assets			
Financial assets held for trading	12	31,525	22,031
Accounts receivables	13	31,310	42,026
Prepayments, deposits and other receivables		3,933	1,896
Cash and cash equivalents		5,605	3,651
		72,373	69,604
Total assets		88,532	87,103
EQUITY			
Capital and reserves			
Share capital	15	31,249	29,247
Reserves		34,485	27,088
Total equity		65,734	56,335

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2022

		At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
LIABILITIES			
Current liabilities			
Accounts payable	14	16,418	17,596
Other payables and accruals		4,010	10,669
		20,428	28,265
Non-current liabilities			
Deferred tax liabilities	17	2,370	2,503
Total liabilities		22,798	30,768
Total equity and liabilities		88,532	87,103
Net current assets		51,945	41,339
Total assets less current liabilities		68,104	58,838
Net assets		65,734	56,335

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						
	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	Total equity HK\$'000
At 31 March 2022 (Audited) and 1 April 2022	29,247	1,425,716	(17,779)	8,034	(55,131)	(1,333,752)	56,335
Loss for the period	-	-	-	-	-	(128)	(128)
Other comprehensive loss for the period:							
Exchange difference on translating foreign operations	-	-	(905)	-	-	-	(905)
Fair value gain on investments in equity instruments at FVTOCI	-	-	-	-	(533)	-	(533)
Total comprehensive loss for the period	-	-	(905)	-	(533)	(128)	(1,566)
Issue of shares upon exercise of share options	2,002	7,388	-	(2,583)	-	-	6,807
Recognitions of equity-settled share-based payments	-	-	-	4,698	-	-	4,698
At 30 September 2022 (Unaudited)	31,249	1,432,564	(18,684)	10,149	(55,664)	(1,333,880)	65,734
At 31 March 2021 (Audited) and 1 April 2021	23,555	1,412,265	(17,587)	5,029	(58,211)	(1,299,201)	65,850
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
Total comprehensive loss for the period	-	-	(960)	-	3,776	(8,408)	(5,592)
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
At 30 September 2021 (Unaudited)	29,247	1,426,934	(18,547)	6,819	(54,435)	(1,307,609)	82,409



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(4,850)	(3,117)
Net cash outflow from investing activities	–	(5,443)
Net cash inflow from financing activities	6,807	18,516
Net increase in cash and cash equivalents	1,954	9,956
Cash and cash equivalents at the beginning of the period	3,651	5,725
Cash and cash equivalents at the end of the period represented by cash and cash equivalents	5,605	15,681



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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.

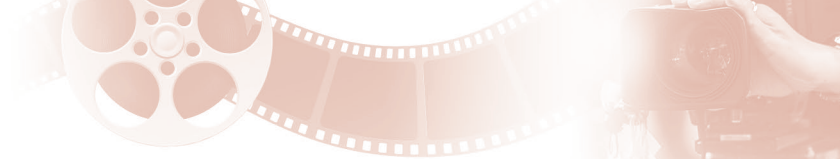
2. Basis of preparation

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30 September 2022 (“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 2022 (“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 2022.



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 2022. 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		Movie		E-commerce		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	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	37,905	30,902	-	3,000	3,416	2,402	41,321	36,304
Segment results	1,473	4,854	-	962	116	40	1,589	5,856
Other gains or losses							11,328	(5,176)
Corporate and other unallocated expenses							(13,178)	(9,221)
Loss before taxation							(261)	(8,541)
Taxation							133	133
Loss for the period							(128)	(8,408)

There were no inter-segment sales during the period (2021: 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 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	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	807	807	-	-	-	-	-	-	807	807
Additions to non-current assets	-	-	-	7,000	-	-	-	-	-	7,000

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
	2022	2021	2022	2021	2022	2021
HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Revenue from external customers	3,416	2,402	37,905	33,902	41,321	36,304
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2022	2022	2022	2022	2022	2022
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets	-	-	9,212	10,019	9,212	10,019

Revenue from its major services

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

	Six months ended	
	30 September	2021
	2022	2021
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Advertising	37,905	30,902
Movie	-	3,000
E-commerce	3,416	2,402
	41,321	36,304

There is no single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2022 and 2021.

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Advertising income	37,905	30,902
Movie	–	3,000
E-commerce income	3,416	2,402
	41,321	36,304
Timing of revenue recognition		
Point in time	3,416	5,402
Over time	37,905	30,902
	41,321	36,304

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 movie is 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 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other gains or losses:		
Net realised and unrealised fair value gain/(loss) on financial assets held for trading	11,328	(2,636)
Impairment loss in respect of accounts receivable	(4,533)	(2,539)
Others	-	(1)
	6,795	(5,176)

6. Loss before taxation

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Fee	378	378
– Pension scheme contribution	–	–
	378	378
Depreciation and amortisation	807	807
Share-based payment expense	4,698	3,635
Staff costs (excluding directors' remuneration)		
– Wage and salaries	1,867	1,257
– Pension scheme contribution	28	14
	1,895	1,271

7. Taxation

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	–	–
Deferred tax		
Current period	–	(133)
	–	(133)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2022 and 2021.



8. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2022 and 2021. 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 2022 (30 September 2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(128)	(8,408)

	Six months ended	
	30 September	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of shares of the Company for the purpose of basic and diluted loss per share	746,556	700,031

Diluted loss per share for the six months ended 30 September 2022 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 2021.

10. Movements in property, plant and equipment

During the six months ended 30 September 2022 and 2021, the Group did not acquire any property, plant and equipment.

11. Equity instruments at FVTOCI

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Listed investments:		
Equity securities listed in Hong Kong (Note)	6,947	7,480

Note:

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

Stock code	Fair value loss HK\$'000 (Unaudited)	At 30 September 2022 HK\$'000 (Unaudited)
1327.HK	(171)	5,143
Others	(362)	1,804
	(533)	6,947

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 2022, revenue and loss of Luxxu were approximately RMB53,413,000 and RMB16,729,000 respectively.

Except the investments disclosed above, at 30 September 2022, 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 2022, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK\$55,664,000 (31 March 2022: HK\$55,131,000) .

12. Financial assets held for trading

	At 30 September 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Equity securities listed in Hong Kong	31,525	22,031

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 2022 and 31 March 2022, 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 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
Within 30 days	5,121	4,666
31 – 60 days	3,767	4,660
61 – 90 days	4,850	4,668
91 – 365 days	14,319	36,414
Over 365 days	48,983	32,815
	77,040	83,223
Less: impairment loss in respect of accounts receivables	(45,730)	(41,197)
	31,310	42,026

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 2022 HK\$'000 (Unaudited)	At 31 March 2022 HK\$'000 (Audited)
0 – 30 days	1,848	2,267
31 – 60 days	2,138	1,939
61 – 365 days	7,121	13,088
Over 365 days	5,311	302
	16,418	17,596

15. Share capital

	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised:		
Share capital of HK\$0.04 each at 1 April 2022 and 30 September 2022	25,000,000	1,000,000
Issued and fully paid:		
Share capital of HK\$0.04 each:		
At 1 April 2022	731,173	29,247
Issue of shares upon exercise of share options (note (i))	50,049	2,002
Share capital of HK\$0.04 each at 30 September 2022	781,221	31,249

16. Non-voting convertible preference shares

	Number of Shares '000	Nominal value of Shares HK\$'000
Authorised:		
Non-voting convertible preference shares of HK\$0.14 each at 1 April 2022 and 30 September 2022	<u>3,500,000</u>	<u>490,000</u>
Issued and fully paid:		
Non-voting convertible preference shares of HK\$0.14 each at 1 April 2022 and 30 September 2022	<u>-</u>	<u>-</u>

Note:

- (i) In July 2022 and August 2022, 14,721,000 and 35,328,000 shares of the Company have been issued upon exercise of share options respectively.

17. Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000
At 31 March 2022 (Audited) and 1 April 2022	(2,503)
Credited to profit or loss	<u>133</u>
At 30 September 2022 (Unaudited)	<u>(2,369)</u>

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 2022.

Category of participants	Date of grant	Outstanding as at 1 April 2022	Number of share options				Outstanding as at 30 September 2022	Vesting period	Exercisable period	Exercise price per share (HK\$)
			Granted during the period ended 30 September 2022	Exercised during the period ended 30 September 2022	Lapsed during the period ended 30 September 2022	Forfeited during the period ended 30 September 2022				
Executive directors										
Sun Wei	21 August 2019	4,907,000	-	-	-	-	4,907,000	no	6 years	0.40
	11 August 2021	5,888,000	-	-	-	-	5,888,000	no	3 years	0.161
	12 August 2022	-	7,310,000	-	-	-	7,310,000	yes	2 years	0.159
Man Qiaozhen	21 August 2019	4,907,000	-	-	-	-	4,907,000	no	6 years	0.40
	11 August 2021	5,888,000	-	-	-	-	5,888,000	no	3 years	0.161
	12 August 2022	-	7,310,000	-	-	-	7,310,000	yes	2 years	0.159
Independent non-executive directors										
Wang Miaojun	18 August 2020	4,907,000	-	-	-	-	4,907,000	no	5 years	0.076
	12 August 2022	-	7,310,000	-	-	-	7,310,000	yes	2 years	0.159
Wang Yujie	18 August 2020	4,907,000	-	-	-	-	4,907,000	no	5 years	0.076
	12 August 2022	-	7,310,000	-	-	-	7,310,000	yes	2 years	0.159
Employees										
	21 August 2019	29,442,000	-	-	-	-	29,442,000	no	6 years	0.40
							(note i)			
	18 August 2020	14,721,000	-	(14,721,000)	-	-	-	no	5 years	0.076
	11 August 2021	47,104,000	-	(35,328,000)	-	-	11,776,000	no	3 years	0.161
	12 August 2022	-	43,860,000	-	-	-	43,860,000	yes	2 years	0.159
							(note ii)			
Consultants										
	21 August 2019	9,814,000	-	-	-	-	9,814,000	no	6 years	0.40
							(note iii)			
		132,485,000	43,860,000	(50,049,000)	-	-	150,536,000			

Notes:

- (i) The share options have been granted to 6 employees and each of them hold 4,907,000 share options.
- (ii) The share options have been granted to 6 employees and each of them hold 7,310,000 share options.
- (iii) The share options have been granted to 2 consultants and each of them hold 4,907,000 share options.
- (iv) The closing price of the shares immediately before the date of share options granted on 12 August 2022 is HK\$0.154.



19. Related party transactions

During the six months ended 30 September 2022 and 2021, 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	378	378
Share-based payment expense	1,869	–
	2,247	378

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 2022, the Group recorded a turnover of approximately HK\$41,321,000 (2021: HK\$36,304,000), representing an increase of 13.8% 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\$6,122,000 in the Current Interim Period (2021: HK\$5,856,000). The gross profit margin decreased to 14.8% in the Current Interim Period from 16.1% in the corresponding period last year. The decrease of gross profit margin was mainly due to the decrease of turnover generated from the advertising segment which has a better gross profit margin. Administrative expenses increased to approximately HK\$13,178,000 for the six months ended 30 September 2022 from approximately HK\$9,221,000 for the corresponding period last year. The increase was mainly due to the increase of share-based payments, staff costs and marketing expenses for the six months ended 30 September 2022.

Loss attributable to the owners of the Company amounted to approximately HK\$128,000 in the Current Interim Period (2021: HK\$8,408,000) and loss per share for the period was HK\$0.02 cents in the Current Interim Period (2021: loss per share of HK\$1.20 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\$5,605,000 as at 30 September 2022 (31 March 2022: HK\$3,651,000). The Group recorded total current assets of approximately HK\$72,373,000 as at 30 September 2022 (31 March 2022: HK\$69,604,000) and total current liabilities of approximately HK\$19,888,000 as at 30 September 2022 (31 March 2022: HK\$28,265,000).

There were no bank borrowings as at 30 September 2022 (31 March 2022: 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 2022: zero).

Capital structure

Authorised share capital

As at 30 September 2022, 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 2022, the number of Shares in issue was 781,221,520 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.

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 2022, no asset was pledged by the Group (31 March 2022: Nil).

Capital commitment

As at 30 September 2022, the Group had no material capital commitment (31 March 2022: Nil).

Contingent liabilities

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: 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 2022 to 30 September 2022, 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.

As at 30 September 2022 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 2022, 73,100,000 share options were granted and 50,049,000 share options were exercised, no share option was lapsed nor cancelled under the Share Option Scheme.

Employment Information

As at 30 September 2022, the Group had 28 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

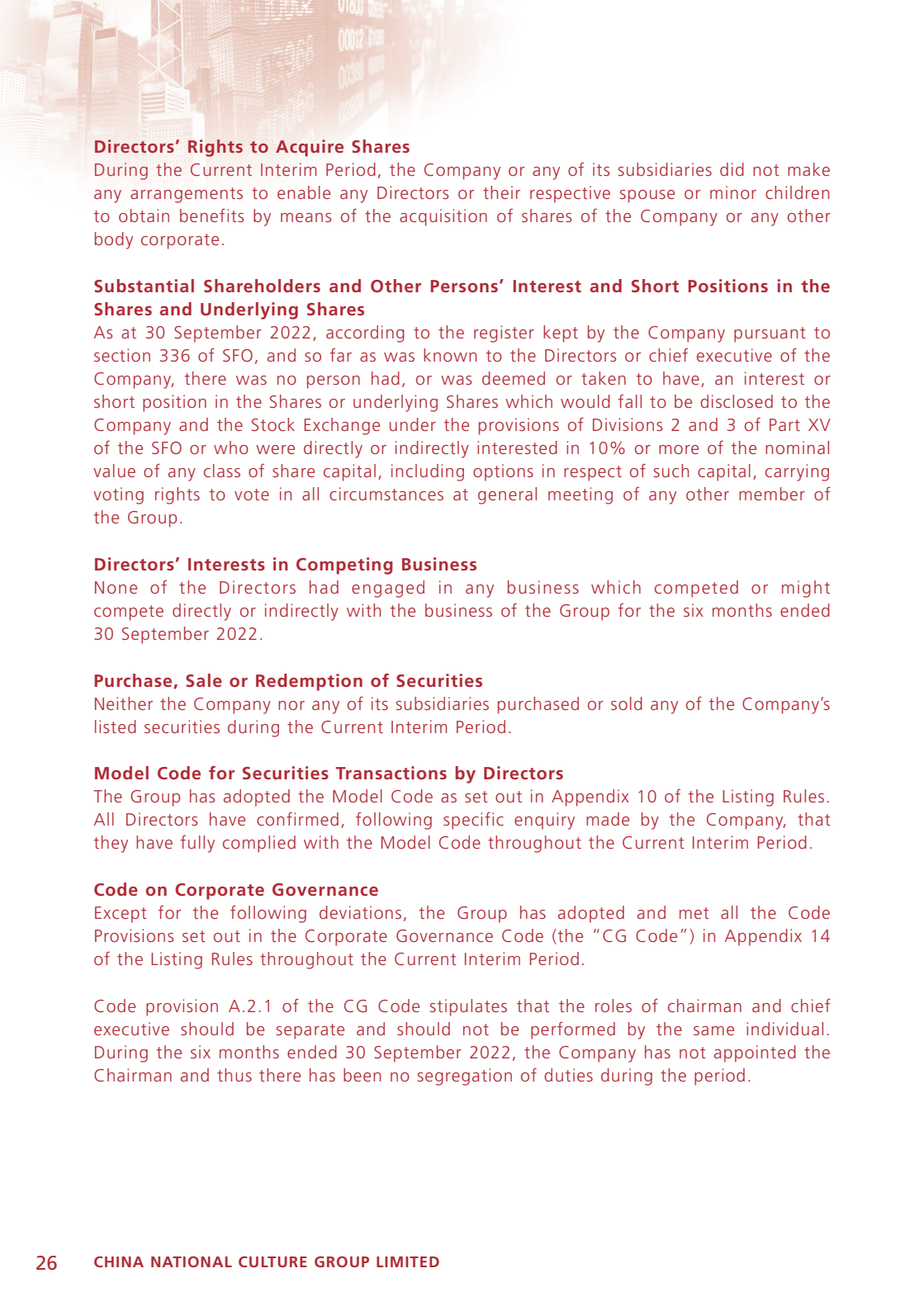
Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

At 30 September 2022, 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	18,105,000	-	-	18,105,000	2.32%
Ms. Man Qiaozhen					
- Unlisted share options	18,105,000	-	-	18,105,000	2.32%
Ms. Wang Miaojun					
- Unlisted share options	12,217,000	-	-	12,217,000	1.56%
Ms. Wang Yujie					
- Unlisted share options	12,217,000	-	-	12,217,000	1.56%

Save as disclosed above, as at 30 September 2022, 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 2022, 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 2022.

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.

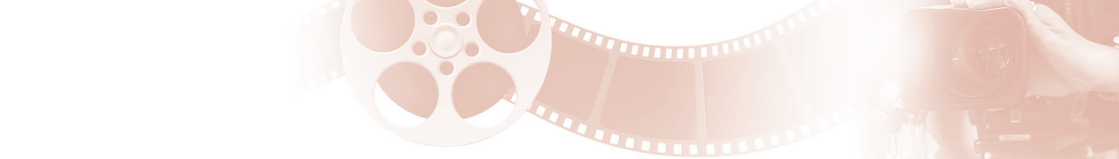
Model Code for Securities Transactions by Directors

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 2022, 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.

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 28 July 2022 (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 2022 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 independently 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 2022. After review and discussions, the Audit Committee recommended the Board to approve the Interim Financial Statements.



Subsequent Events After the Reporting Period

As at 30 September 2022, the Group has no material events after reporting period which are required to be disclosed.

Appreciation

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

On behalf of the Board

CHINA NATIONAL CULTURE GROUP LIMITED

SUN Wei

Executive Director

Hong Kong, 29 November 2022

As at the date of this report, 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.