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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)

GRANT OF OPTIONS SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Company issued on 12 August 2022 (the “**Announcement**”). Capitalised terms in this announcement shall have the same meanings in the Announcement unless otherwise specified.

The Board would like to provide the following additional information regarding the grant of the Options.

On 12 August 2022, a total of 73,100,000 Options were granted to 10 grantees (the “**Grantees**”), in recognition of their respective past contributions and services to the Company, and the details of which are as follows:

	Position held with the Company	Number of Options granted
SUN Wei	Executive director	7,310,000
MAN Qiaozhen	Executive director	7,310,000
WANG Yujie	Independent non-executive director	7,310,000
WANG Miaojun	Independent non-executive director	7,310,000
Grantee A	Human resources manager	7,310,000
Grantee B	Operation manager	7,310,000
Grantee C	Marketing officer	7,310,000
Grantee D	Operation manager	7,310,000
Grantee E	Assistant finance manager	7,310,000
Grantee F	Technology officer	7,310,000

Sun Wei is the executive director of the Company. During the year ended 31 March 2022, in view of the COVID outbreak, the Group implemented cost control strategy in order to reduce the financial pressure of the Group. Her significant performance and contribution involved cost control of the Group, including but not limited to (i) coordination with suppliers and partners to reduce costs and improve quality-quantity relationship; (ii) conduct a review and cost analysis to identify potential areas for cost savings; and (iii) use of new technology or processes to increase efficiency and accuracy, which successfully reduced approximately 38% of the administrative expenses of the Group for the year ended 31 March 2022 comparing with that for 2021. As such, excluding

extraordinary items, the Group's business performance actually turnaround from loss before taxation for the year ended 31 March 2021 to profit before taxation for the year ended 31 March 2022. In consideration of her contributions, Options were granted to her as an incentive to rewards her efforts for us.

Man Qiaozhen is the executive director of the Company. Due to the restriction of physical activities during the COVID period, the marketing strategy of the Group changed to promote the Group's services and products by online marketing and webinar. Under Ms. Man's leadership with the sales and marketing team and her significant performance on (i) building trust between clients and the Company; and (ii) emphasise the strength and advantage of the Group's products comparing with the competitors, i.e. more functions and strengthened security, the Group successfully attracted 10 new clients during the year ended 31 March 2022, which contributed approximately 24.8% of the total revenue of the Group. In consideration of her contributions, Options were granted to her as an incentive to rewards her efforts for us.

Wang Yujie is the independent non-executive director of the Company. Ms. Wang Yujie has extensive experience in the PRC IT industry. During the COVID period, although she do not involve in the operation, she shared her invaluable experience to the technical team, and the technical team successfully upgraded the Group's services and enhance the stability of the operations of the Group which lead to increasing gross profit margin of the Group for the year ended 31 March 2022 comparing with that for 2021. In consideration of her contributions, Options were granted to her as an incentive to rewards her efforts for us.

Wang Miaojun is the independent non-executive director of the Company. Although Ms. Wang Miaojun do not involve in the operation, she has extensive business network in the PRC IT and media industry. Her significant contributions involved to provide referral of experienced media company to the Group which assist the new marketing strategy implemented successfully to promote the products and services of the Group. In consideration of her contributions, Options were granted to her as an incentive to rewards her efforts for us.

Grantee A is human resources manager of the Group. Grantee A solidifies the Group's manpower and manage to maintain the workforce of the Group in this difficult time although there is no pay leave arrangement and over 50% of the employees tender their resignation letters during the COVID period. Grantee A keep holding meetings with each of the employee to convince them one by one and successfully retained over 75% of them to stay in the Group and convince them to accept the no pay leave arrangement, which indirectly help the Group to reduce the costs and maintain the stability of the operation of the Group. Grantee A plays an essential role in developing our Company's strategy by enhancing employees' perception throughout the workforce and providing a well-rounded experience for employees. In consideration of Grantee A's contributions, Options were granted to Grantee A as an incentive to rewards Grantee A's efforts for us.

Grantee B is the operation manager of the Group. During the COVID period, in view of the numerous lock-downs, Grantee B has to reschedule the operation including but not limited to the colleague's working time schedule and work from home arrangement in order to maintain the services to the customers. Under the leadership of Grantee B, even though it is hard time during the COVID period, i.e. short of manpower due to lock-downs/illness, the operation team still able to provide proper and timely services to the clients and received no complaint from clients for the year ended 31 March 2022. Grantee B's significant performance and contributions involved maintain efficiency of the operations of the Group which successfully maintain the existing client portfolio. In consideration of Grantee B's contributions, Options were granted to Grantee B as an incentive to rewards Grantee B's efforts for us.

Grantee C is the marketing officer of the Group. During the COVID period, most of the physical marketing event is prohibited and Grantee C need to manage webinar to promote the Group's products and services in order to maintain the market attention. Grantee C's significant performance and contribution involved to co-ordinate and provide assistance to assist the marketing team to maintain the market attention, including but not limited to (i) keep the schedule of each event fresh and interesting; and (ii) plan and organise the events' display and materials, such as product videos and social media posts, which successfully increase awareness of our brand and familiarize the public with our products. Each webinar and presentation was held successfully, attracting attention and inquiries from different clients, which in turn a number of new clients entered into the contracts and contributed the revenue to the Group. In consideration of Grantee C's contributions, Options were granted to Grantee C as an incentive to rewards Grantee C's efforts for us.

Grantee D is the operation manager of the Group. During the COVID period, in view of the numerous lock-downs which significant affect the operation of e-commerce business segment, Grantee D has to reschedule the operation including but not limited to the logistics arrangement and also the worker's schedule in order to maintain a smooth operation. Even though there are numerous lock-downs which affect the delivery schedule from the suppliers, under the leadership of Grantee D, the operation team speed up the internal process and over 90% of the orders can deliver to the clients on time without significant delay and received no complaint/sales returns from clients for the year ended 31 March 2022. In view of the significant performance of Grantee D and the efficiency under the leadership of Grantee D, the revenue generated from e-commerce business increased approximately 13.2% for the year ended 31 March 2022 comparing with that for 2021. In consideration of Grantee D's contributions, Options were granted to Grantee D as an incentive to rewards Grantee D's efforts for us.

Grantee E is the assistant finance manager of the Group. Grantee E experienced in financial reporting and cash management related activities. During the COVID period, half of the accounting team left the Group as they cannot accept the no pay leave arrangement which heavily increased the workload of the remaining team members. Although the workload of Grantee E significantly increased and Grantee E accepted significant salary cut for the year ended 31 March 2022, Grantee E still perform diligently which complete the financial reporting on time and handle the audit matters with auditors, which help the Group to report the interim and annual report on time and fulfill all reporting requirements. In addition to the duties assigned, Grantee E helped other accounting team members to complete their assignment. At the same time, Grantee E plays a vital part to oversee the cash flow and managing the expenses of the Group. In consideration of Grantee E's contributions, Options were granted to Grantee E as an incentive to rewards Grantee E's efforts for us.

Grantee F is the technology officer of the Group. During the COVID period, Grantee F play a significant role to maintain the operations of the Group. In additional to the daily operations, under Grantee F's significant performance and contributions on the technology development which focus on the process of writing all necessary code to meet the new functional specification, the technical team successfully upgrade the Group's services, including but not limited to (i) new functionality; (ii) strengthened security; and (iii) improved modernisation, which lead to increasing gross profit margin of the Group for the year ended 31 March 2022 to 34.16% from 29.61% for the year ended 31 March 2021. In consideration of Grantee F's contributions, Options were granted to Grantee F as an incentive to rewards Grantee F's efforts for us.

All of the grantees are middle to senior level management of the Group, which directly involved in the strategy making and daily operations of the Group. The Board believes that the grant of share options to those key employees not only can provide incentive or reward to staff so as to encourage them to making continuing effort and contribution to the Group. It also encourages those junior staff and/or new employees to contribute more to the Group as there is a chance to share results of the development of the Company no matter which departments they are working for.

Besides, they are all joined the Group for at least 4 years, some of them even worked for the Group for 8 years. They should be considered as long-serving and key employees. The grant of share options aims to increase market competitiveness of the remuneration package of the Group and to motivate and stabilise those key employees of the Group, so as to strive for successful and future development of the Group as well as achieving overall strategic goals of the Group.

The Board (including the remuneration committee) consider that the Options granted is align with the purpose of the Company's share option scheme because the Options granted is to recognize the contributions of the grantees in the past. At the same time, the Options granted can enhance their contribution and loyalty to the Group without any cash outflow, as the Company do not have sufficient financial resources to raise the overall salary level at the moment, through providing an opportunity to have ownership in the Company they work for and let them feel more "connected" to the Company, and may even generate cash inflow to the Company when the grantees exercise their share options. Also, the Board is of the view that the share options will incentivize grantees to further improve the operation and financial performance of the Company which hopefully should drive the market price of the Company. As such, the Board is of the view that the grant of share options aligns the interests of the Company and its shareholders as a whole. The Board believe that the success of the Group could only be primarily attributable to the concerted efforts and contributions of the employees and the key employees are equally important to the Group, as such, to promote fairness and better morale among the Group, unified amount of share options is granted to each of the grantees.

Save as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

On behalf of the Board
CHINA NATIONAL CULTURE GROUP LIMITED
SUN Wei
Executive Director

Hong Kong, 3 January 2023

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.