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**CNCG**

**CHINA NATIONAL CULTURE GROUP LIMITED**

**中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

**SUPPLEMENTAL ANNOUNCEMENT –  
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2024**

Reference is made to the annual results announcement (the “**Annual Results Announcement**”) of China National Culture Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2024 published on 28 June 2024. Capitalised terms used herein shall have the same meanings as those defined in the Annual Results Announcement unless the context requires otherwise.

Further to the information disclosed in the Annual Results Announcement, the board of directors of the Company (the “**Board**”) would like to provide to the shareholders of the Company and the potential investors with the following supplementary information on the sections headed “Business Review” and “Audit Committee”:

**Business Review**

***Advertising business***

In past years, the Group’s advertising business mainly focused on the PRC advertising industry which engaged in providing advertising, design and other related services through mobile devices and other channel, such as financial magazine, and provision of communication marketing platform services. However, the revenue from PRC’s advertising industry has indeed been declining in recent years due to (i) slowing economic growth in China, this downward economic pressure has led to a reduction in advertising spending by enterprises; (ii) tightening of regulations in the internet industry which led to a decrease in advertising spendings; (iii) declining consumer confidence, in which the repeated outbreaks of the pandemic and the economic downturn have led to a decline in consumer confidence and also their daily consumption which also affected the willingness of enterprises to invest in advertising; (iv) intensified industry competition, the competition among various competitors has been increasingly fierce and the price war has compressed the profit margin of the entire industry, some of the competitors even provide free services in order to gain the market shares. As such, for the year ended 31 March 2024, the Group decided to shift the customer bases to Hong Kong instead of the PRC as Hong Kong has relatively stable economic environment, stronger consumer confidence and diversified media landscape. As the Group is developing the customers bases in Hong Kong, the revenue generated from the advertising segment decreased for the year ended 31 March 2024.

Given that the Group has over 10 years’ experience and knowledge in advertising industry, the Group will continue to expand the customers bases of advertising business in Hong Kong and allocate resources to offer customized services and products to the customers to strengthen the market position in Hong Kong. The Group will look for relevant potential opportunities to increase the Group’s visibility and exposure to attract customers, such as participating in relevant types of exhibitions or cooperating with well-known companies.

## ***E-commerce business***

The Group is engaged in the wholesale e-commerce business by operating an e-commerce platform which provides choices of different model of used iPhones and different type of parts to the customers. Apart from operating the e-commerce platform, after the Group sourced and purchased those used iPhones and parts from suppliers, the Group negotiates the pricing and certain terms and requirements with the customers and performs the testing, including but not limited to the appearances and functioning, and is also responsible for packaging and delivery of those products and parts to the customers. For the packaging and delivery processes, the Group may outsource to third parties depends on the utilization of resources of the Group.

The increase of revenue generated from the e-commerce business mainly due to sales demands of used iPhones and parts increase. The increase is mainly because (i) the release cycle of new iPhone models is quite rapid, typically with a new model launching every year. As newer models come out, more and more users choose to purchase the latest iPhones, leading to a large influx of previous generation iPhones into the secondary market; (ii) with changes in the economic environment, some consumers are starting to focus more on value-for-money and are more inclined to purchase used iPhones, this cost-conscious consumer behavior increased demand in the used iPhones; and (iii) the repair costs of iPhone tend to be relatively high, which causes some mobile phone wholesalers to turn to the secondary market to find replacement parts which increase the demand of iPhone parts.

In view of the increasing trend of demand of the e-commerce business, the Group will continue to allocate resources to offer customized services and products to the customers to strengthen the market position in Hong Kong. Besides, in order to cater the market demand, the Group will continue to review the products mix of the e-commerce business regularly.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with the management about the Group's annual results for the year ended 31 March 2024, the accounting principles and practices adopted by the Group and has discussed auditing and financial reporting matters in connection with the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2024.

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

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

Hong Kong, 16 July 2024

*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.*