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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 Cayman Islands with limited liability)*  
**(Stock code: 745)**

**ANNOUNCEMENT OF RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

The board of directors (the “Board”) of China National Culture Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2016, together with the comparative figures, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>Revenue</b>	4	<b>38,135</b>	20,429
<b>Cost of sales</b>		<u><b>(30,800)</b></u>	<u>(13,827)</u>
<b>Gross profit</b>		<b>7,335</b>	6,602
<b>Other revenue</b>	4	<b>1,146</b>	3
<b>Administrative expenses</b>		<b>(17,971)</b>	(20,243)
<b>Other gains or losses</b>	4	<u><b>206,849</b></u>	<u>(126,447)</u>
<b>Profit/(Loss) from operation</b>	5	<b>197,359</b>	(140,085)
<b>Finance costs</b>	6	<u><b>(12,324)</b></u>	<u>(17,280)</u>
<b>Profit/(Loss) before taxation</b>		<b>185,035</b>	(157,365)
<b>Taxation</b>	7	<u><b>(61,785)</b></u>	<u>(2,629)</u>
Profit/(Loss) for the year		<u><b>123,250</b></u>	<u>(159,994)</u>
<b>Earnings/(Loss) per share</b>			
Earnings/(loss) per share			(restated)
– Basic and Diluted ( <i>HK cents</i> )	9	<u><b>1.55</b></u>	<u>(4.17)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit/(Loss) for the year	<u>123,250</u>	<u>(159,994)</u>
<b>Other comprehensive (expense)/income</b>		
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	(40)	53
Reclassification adjustments upon disposal of subsidiaries during the year	<u>238</u>	<u>–</u>
<b>Other comprehensive income for the year, net of income tax</b>	<u>198</u>	<u>53</u>
<b>Total comprehensive income/(loss) for the year</b>	<u>123,448</u>	<u>(159,941)</u>
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	<u>123,448</u>	<u>(159,941)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		322	381
Intangible assets		148,806	–
Goodwill	10	175,686	264,000
Deposit paid for the acquisition of a subsidiary		20,000	–
		<u>344,814</u>	<u>264,381</u>
<b>Current assets</b>			
Inventories		2,750	–
Financial assets held for trading		459,461	37,180
Accounts receivable	11	24,564	16,525
Prepayments, deposits and other receivables		25,921	803
Cash and cash equivalents		238,292	46,424
		<u>750,988</u>	<u>100,932</u>
<b>Total assets</b>		<u><b>1,095,802</b></u>	<u><b>365,313</b></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		196,288	98,144
Reserves		709,206	203,626
<b>Total equity</b>		<u><b>905,494</b></u>	<u><b>301,770</b></u>

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Current liabilities</b>			
Accounts payable	<i>12</i>	<b>1,184</b>	735
Consideration payable		<b>80,000</b>	–
Other payables and accruals		<b>5,006</b>	15,810
Promissory notes		–	43,877
Tax payables		<b>990</b>	–
Deferred tax liabilities		<b>101,021</b>	3,121
Deferred income		<b>2,107</b>	–
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>190,308</b>	63,543
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,095,802</b>	365,313
		<hr/>	<hr/>
<b>Net current assets</b>		<b>560,680</b>	37,389
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>905,494</b>	301,770
		<hr/>	<hr/>
<b>Net assets</b>		<b>905,494</b>	301,770
		<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate information

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 Office Unit 403, 4th floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong.

The Group was principally involved in provision of the advertising media services, e-commerce, film production and distribution business.

The consolidated financial statements are prepared in Hong Kong dollars (HK\$), which is the same as the functional currency of the Company.

### 2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

#### (a) Amendments to HKFRSs and the new interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The initial application of these financial reporting standards does not necessitate material changes in the Group’s accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

#### (b) New and revised standards and interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Lease <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

- <sup>1</sup> Effective for accounting periods beginning on or after 1 January 2018, with earlier application permitted.
- <sup>2</sup> Effective for accounting periods beginning on or after 1 January 2016, with earlier application permitted.
- <sup>3</sup> Effective for accounting periods beginning on or after 1 January 2019, with earlier application permitted.
- <sup>4</sup> No mandatory effective date but is available for early adoption.

#### HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the

effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

### 3. 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;
- (c) the e-commerce segment – sale of products over the internet.

#### *Segment revenues and results*

The following is an analysis of the Group’s revenue and results by operating segment:

	Advertising		Movie production		E-commerce		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Contract revenue from external customers	<u>8,475</u>	<u>6,054</u>	<u>–</u>	<u>14,375</u>	<u>29,660</u>	<u>–</u>	<u>38,135</u>	<u>20,429</u>
Segment results	<u>7,004</u>	<u>5,354</u>	<u>–</u>	<u>1,248</u>	<u>331</u>	<u>–</u>	<u>7,335</u>	<u>6,602</u>
Other revenue and unallocated gains							<u>344,995</u>	<u>45,148</u>
Corporate and other unallocated expenses							<u>(154,971)</u>	<u>(191,835)</u>
Finance costs							<u>(12,324)</u>	<u>(17,280)</u>
Profit/(Loss) before taxation							<u>185,035</u>	<u>(157,365)</u>
Taxation							<u>(61,785)</u>	<u>(2,629)</u>
Profit/(Loss) for the year							<u>123,250</u>	<u>(159,994)</u>

There were no inter-segment sales during the year (2015: Nil). Segment results represent the profit earned without allocation of central administration costs including directors’ salaries, investment and other income, gain on disposal of subsidiaries, impairment loss in respect of goodwill, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	Advertising		Movie production		E-commerce		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	171,930	48,737	–	14,375	32,148	–	204,078	63,112
Unallocated assets							891,724	302,201
							<b>1,095,802</b>	<b>365,313</b>
Segment liabilities	105,887	43,332	–	–	–	–	105,887	43,332
Unallocated liabilities							84,421	20,211
							<b>190,308</b>	<b>63,543</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets held for trading and unallocated head office and corporate assets.
- all liabilities are allocated to reportable segments other than current tax liabilities, consideration payable and unallocated head office and corporate liabilities.

### Other segment information

	Advertising		Movie production		E-commerce		Unallocated		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation	53	28	–	–	–	–	164	153	217	181
Amortisation	3,077	–	–	–	–	–	626	–	3,703	–
Additions to non-current assets	147,659	191	–	–	5,050	–	–	–	152,709	191
Impairment loss in respect of other receivables	–	–	–	–	–	–	–	550	–	550
Impairment loss in respect of goodwill	–	–	–	–	–	–	137,000	146,260	137,000	146,260
Impairment loss in respect of available-for-sale financial asset	–	165	–	–	–	–	–	–	–	165

### 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 by location of assets are detailed below:

	Hong Kong		The PRC		Total	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue from external customers	<b>29,583</b>	1,650	<b>8,552</b>	18,779	<b>38,135</b>	20,429
Non-current assets	<b>151,546</b>	264,379	<b>193,268</b>	2	<b>344,814</b>	264,381

#### Revenue from its major services

The Group's revenue from its major services/products was as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Advertising	<b>8,475</b>	6,054
E-commerce	<b>29,660</b>	–
Movie production and related income	–	14,375
	<b>38,135</b>	20,429

#### Information about major customer

Revenue from customer of the years ended 31 March 2016 and 2015 contributing over 10% of the total revenue of the Group are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A	–	14,375
Customer B	<b>11,378</b>	–
Customer C	<b>10,599</b>	–
Customer D	<b>7,456</b>	–

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2016 and 2015.

#### 4. Revenue, other revenue and other gains or losses

An analysis of revenue, other revenue and other gains or losses is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue:		
Advertising	8,475	6,054
E-commerce	29,660	–
Movie production and related income	–	14,375
	<u>38,135</u>	<u>20,429</u>
Other revenue:		
Sundry income	<u>1,146</u>	<u>3</u>
Other gains or losses:		
Net unrealised gain on financial assets held for trading	341,006	22,879
Net realised gain/(loss) on disposal of financial assets held for trading	1,345	(6,539)
Gain on extinguishment of promissory notes	–	22,266
Gain on disposal of subsidiaries	1,498	–
Impairment loss in respect of goodwill	(137,000)	(146,260)
Impairment loss in respect of available-for-sale financial asset	–	(165)
Net fair value losses on early redemption of promissory notes	–	(18,078)
Impairment loss in respect of other receivables	–	(550)
	<u>206,849</u>	<u>(126,447)</u>

#### 5. Profit/(Loss) from operation

The Group's profit/(loss) from operation is arrived at after charging:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Auditors' remuneration	600	550
Depreciation	217	181
Amortisation	3,703	–
Staff costs (excluding directors' remuneration)		
– equity-settled share option expenses	–	5,854
– wages and salaries	746	1,661
– pension scheme contributions	30	53
	<u>776</u>	<u>7,568</u>
Equity-settled share based payment		
– directors	–	1,171
– employees	–	5,854
– consultants	–	4,684
	<u>–</u>	<u>11,709</u>
Minimum lease payments under operating leases:		
– land and buildings	<u>320</u>	<u>59</u>

## 6. Finance costs

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expense on other loan	–	431
Imputed interest expense arising from promissory notes wholly repayable within five years	<u>12,324</u>	<u>16,849</u>
	<u>12,324</u>	<u>17,280</u>

## 7. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the year ended 31 March 2015. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate applicable to the Group's companies operating in the PRC is 25% from 1 January 2008 onwards. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Over provision in prior years:		
– Hong Kong profits tax	–	(492)
Current tax		
– Hong Kong profits tax	355	–
– PRC enterprise income tax	<u>445</u>	<u>–</u>
	800	(492)
Deferred tax	<u>60,985</u>	<u>3,121</u>
	<u>61,785</u>	<u>2,629</u>

## 8. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2016 (2015: Nil).

## 9. Earnings/(loss) per share attributable to owners of the Company

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit/(Loss):		
Profit/(Loss) for the year	<u>123,250</u>	<u>(159,994)</u>
	2016 <i>'000</i>	2015 <i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>7,926,923</u>	<u>3,838,284</u>

There were no potential dilutive shares for the year ended 31 March 2016, therefore, the basic and diluted earnings per share is the same. During the year ended 31 March 2015, no adjustment has been made to the basic loss per share in respect of a dilution as the impact of the convertible preference shares and the share options outstanding had an anti-dilutive effect on the basic per share presented.

During the year, the Company implemented the share consolidation of every two shares of par value HK\$0.01 each into one consolidated share of HK\$0.02 each (the "Share Consolidation"), and 4,907,205,000 shares at HK\$0.02 per share were issued by way of open offer at a price of HK\$0.10 per share for every one existing consolidated share (the "Open Offer"). The Share Consolidation and Open Offer were completed on 24 July 2015 and 24 August 2015 respectively. Accordingly, the weighted average number of shares for the purposes of basic and diluted earnings per share has been adjusted for both years.

## 10. Goodwill

	<i>HK\$'000</i>
Cost:	
At 1 April 2014, 31 March 2015 and 1 April 2015	663,158
Acquisition of a subsidiary	<u>48,686</u>
At 31 March 2016	<u>711,844</u>
Accumulated impairment losses:	
At 1 April 2014	252,898
Impairment loss recognised for the year	<u>146,260</u>
At 31 March 2015 and 1 April 2015	399,158
Impairment loss recognised for the year	<u>137,000</u>
At 31 March 2016	<u>536,158</u>
Carrying amount:	
At 31 March 2016	<u>175,686</u>
At 31 March 2015	<u>264,000</u>

Pursuant to business acquisition of Huge Leader Development Limited and its subsidiaries and Dynamic Thinker Limited, goodwill has been generated and which represents the benefit of expected synergy, revenue growth and future market development of Huge Leader Development Limited and its subsidiaries and Dynamic Thinker Limited.

#### **Huge Leader Development Limited and its subsidiaries**

As at 31 March 2016, the Group determined the recoverable amount of cash generating unit (“CGU 1”) for advertising through mobile devices and retail chain to be approximately HK\$127,000,000 (2015: HK\$264,000,000). The directors of the Company has hired International Valuation Limited as their expert in deriving the value in use of the CGU 1. The valuation had used cash flows projection based on financial budgets approved by management which covered a 5-year period, and incorporated therein, a discount rate of 18.19% (2015: 13.92%); in addition, those expected cash flows beyond five-year period contain 2% growth rate. This growth rate is based on the specific market. As the recoverable amount of the CGU 1 was below its carrying amount, an impairment loss of approximately HK\$137,000,000 (2015: HK\$146,260,000) has been recognised in profit or loss included in other gains or losses.

#### **Dynamic Thinker Limited**

As at 31 March 2016, the Group determined the recoverable amount of cash generating unit (“CGU 2”) for advertising through website to be approximately HK\$48,686,000. The directors of the Company has hired International Valuation Limited as their expert in deriving the value in use of the CGU 2. The valuation had used cash flows projection based on financial budgets approved by management which covered a 3 year period, and incorporated therein, a discount rate of 23%; in addition, those expected cash flows beyond 3 year period contain 2% growth rate. This growth rate is based on the specific market.

The key assumptions used in value in use calculations for advertising are as follows:

- Budgeted market share and sales, average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations in the industry. Management believes the planned market share growth and budgeted sales over the budget period is reasonably achievable.
- Budgeted gross margin is constant over the budgeted period.

#### **11. Accounts receivable**

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Within 30 days	–	14,975
31–90 days	<b>20,764</b>	1,050
91–180 days	<b>3,700</b>	500
181–365 days	–	–
Over 365 days	<b>329</b>	229
	<b>24,793</b>	16,754
Less: Impairment loss in respect of accounts receivable	<b>(229)</b>	(229)
	<b>24,564</b>	16,525

The Group allows an average credit period of 180 days. The movements in impairment loss in respect of accounts receivable were as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At the beginning of year	<b>229</b>	229
Impairment losses recognised on receivables	<u>—</u>	<u>—</u>
At the end of year	<b><u>229</u></b>	<b><u>229</u></b>

Trade receivables above included amounts which are past due but not impaired because there has not been a significant change in credit quality and the amounts are still considered recoverable. The aged analysis of the Group's accounts receivable balances which are past due but not impaired is presented as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Over 180 days	<b><u>100</u></b>	<u>—</u>

## 12. Accounts payable

An aged analysis of the accounts payable at the end of the reporting period, is as follows:

	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
181–365 days	<b>1,150</b>	700
Over 365 days	<b><u>34</u></b>	<u>35</u>
	<b><u>1,184</u></b>	<b><u>735</u></b>

## 13. Comparatives

Certain comparative amounts has been reclassified to conform with the current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the year ended 31 March 2016, the Group recorded a turnover of approximately HK\$38,135,000 (2015: HK\$20,429,000), representing an increase of 86.67% as compared with last year. The increase in turnover in the current year mainly because the Group started to get involve in e-commerce business segment since August 2015. Gross profit increased to approximately HK\$7,335,000 in the current year (2015: HK\$6,602,000). The gross profit margin decreased to 19.23% in the current year from 32.3% over the year ended 31 March 2015. The decrease in gross profit margin was mainly because the Group focus on e-commerce business commenced during the year has a lower gross profit margin.

Profit attributable to the owners of the Company amounted to approximately HK\$123,250,000 (2015: loss of HK\$159,994,000) and earnings per share for the year was earnings of HK1.55 cents (2015: loss of HK4.17 cents (restated)). Apart from the increase in gross profit, the Group also recorded unrealised gain on financial assets held for trading and impairment loss in respect of goodwill amounted to approximately HK\$341,006,000 (2015: HK\$22,879,000) and HK\$137,000,000 (2015: HK\$146,260,000) respectively. Moreover, finance costs decreased to approximately HK\$12,324,000 (2015: HK\$17,280,000) as the Group has redeemed the promissory notes during the year.

### Financial Review

As at the end of the year, non-current assets increased to approximately HK\$344,814,000 (2015: HK\$264,381,000) due to goodwill and intangible assets arose from the acquisition of Dynamic Thinker Limited during the year. Current assets increased due to the increase in financial assets held for trading and the increase in cash and cash equivalents. Total liabilities were increased as the Group has consideration payable and deferred tax liabilities arose from acquisition of Dynamic Thinker Limited during the year, although the Group redeemed the promissory notes and settlement of other loan during the year.

### *Capital structure*

#### *Open offer*

During the year ended 31 March 2016, the Company has completed an open offer (“Open offer”) with actual net proceeds amounted to approximately HK\$480,283,000 for the purposes of (i) acquisition of potential targets principally engaged in the mobile application business in the PRC (approximately HK\$180,256,000), (ii) potential investment opportunities (approximately HK\$180,256,000), (iii) development and operation of the Group’s proposed establishment of e-commerce business (approximately HK\$50,071,000), (iv) repayment of existing debts of the Group (approximately HK\$30,043,000), and (v) general working capital (approximately HK\$39,657,000).

During the year ended 31 March 2016, the Group has applied the net proceed as follows:

	<b>Amount available</b> <i>HK\$ '000</i>	<b>Amount utilised</b> <i>HK\$ '000</i>	<b>Amount unutilised</b> <i>HK\$ '000</i>
– Acquisition of potential targets principally engaged in the mobile application business in the PRC	180,256	100,191	80,065
– Potential investment opportunities and/or related funding requirements associated with investment opportunities identified from time to time	180,256	97,100	83,156
– Development and operation of the Group's proposed establishment of e-commerce business	50,071	32,319	17,752
– Repayment of existing debts of the Group	30,043	30,043	–
– General working capital	39,657	39,657	–
	<u>480,283</u>	<u>299,310</u>	<u>180,973</u>

The unutilised net proceeds are placed in the bank accounts of the Group.

### ***Liquidity and financing***

There were no bank borrowings as at 31 March 2016 (2015: Nil). The Group's cash and bank deposits were approximately HK\$238,292,000 (2015: HK\$46,424,000). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets decreased to zero (2015: 12.01%).

### ***Treasury policies***

Cash and bank deposits of the Group are mainly in Hong Kong dollars. The Group conducts its core business transactions 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.

### ***Pledge of assets***

As at 31 March 2016, no asset of the Group was being pledged as there is no external financing (2015: Nil).



## **Employee Information**

As at 31 March 2016, the Group had 10 (2015: 14) employees whom are employed in Hong Kong and Mainland China. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

## **Prospect**

With a series of new developments in the pipeline, we are excited about the opportunities ahead.

In April 2016, the Group have completed the acquisition of Group Wise Holdings Limited (“Group Wise”) as it is considered that (1) certain expertise knowledge and the platform of Group Wise can be utilized in the Group’s business of advertising media services, the acquisition of Group Wise is in line with the business development strategy and expansion plan of Group Wise; (2) Group Wise has well-established business in marketing services, the Board considers the acquisition will enable the Group to complement its existing movie distribution business, which may have synergetic effect.

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 that would generate long-term returns to its shareholders.

To achieve this vision, our future plans include:

- Continued development of advertising and e-commerce 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;
- Diversifying the Group’s business portfolio in other business sector including but not limited to money lending business

The Group will keep the shareholders abreast of the latest development of the Group.

## **OTHER INFORMATION**

### **Dividend**

The board does not recommend the payment of any dividend for the year ended 31 March 2016.

## **Purchase, Sale or Redemption of Listed Securities**

During the year ended 31 March 2016, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

## **Code on Corporate Governance**

The Company has complied with all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31 March 2016 except rule A.4.1 that non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company, and rule A.6.7 that independent non-executive Directors did not attend all general meetings.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the year.

## **Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares**

As at 31 March 2016, none of the Directors or chief executive had any interests or 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 Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Division 7 and 8 at the Part XV of the SFO; or interest or short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests or short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code.

## **Directors’ Rights to Acquire Shares**

The Company or any of its subsidiaries did not have any arrangement in place at any time during the period whereby the Directors or their respective spouse or minor children can obtain benefit by acquiring the Shares of the Company or other body corporate.

## **Substantial Shareholders and Other Persons' Interests and Short Positions in the Shares and Underlying Shares**

As at 31 March 2016, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person (other than the Directors and chief executive of the Company) 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.

### **Audit Committee**

The Audit Committee comprised of three members and all of whom are independent non-executive directors of the Company during the year ended 31 March 2016. Ms. Cheung Lai Chun resigned on 10 May 2016 and as at the date of this announcement, the Audit Committee comprises two members only. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. It has also reviewed the annual results for the year ended 31 March 2016.

### **Disclosure of Information on the Stock Exchange's Website**

All the financial and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website and the Company's website in due course. Printed copies of 2016 annual report of the Company will be despatched to shareholders of the Company and available on the aforesaid websites in due course.

### **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**  
*Director*

Hong Kong, 23 June 2016

*As at the date of this announcement, the Board comprises Ms. SUN Wei and Mr. YAN Zhilei as Executive Directors and Mr. LIU Kwong Sang and Ms. WANG Miaojun as Independent Non-Executive Directors.*