



# CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745

## Interim **2017** Report

# CONTENTS

- 2** CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
- 3** CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 4** CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 6** CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 7** CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- 8** NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
- 22** MANAGEMENT DISCUSSION AND ANALYSIS
- 26** OTHER INFORMATION

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended 30 September	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	5	<b>35,999</b>	34,717
Cost of sales		<b>(25,601)</b>	(26,999)
Gross profit		<b>10,398</b>	7,718
Other gains or losses	5	<b>(331,191)</b>	4,662
Administrative expenses		<b>(11,060)</b>	(29,054)
Loss before taxation	6	<b>(331,853)</b>	(16,674)
Taxation	7	<b>46,793</b>	(2,303)
Loss for the period		<b>(285,060)</b>	(18,977)
Attributable to:			
– Owners of the Company		<b>(285,060)</b>	(18,977)
– Non-controlling interests		–	–
		<b>(285,060)</b>	(18,977)
Loss per share	9		
For loss for the period			
– basic and diluted (HK cents)		<b>(2.90)</b>	(0.24)

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

For the six months ended 30 September 2017

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
	<u>                    </u>	<u>                    </u>
Loss for the period	<b>(285,060)</b>	(18,977)
Other comprehensive (loss)/income		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent period:		
Exchange differences on translating foreign operations	<b>704</b>	(162)
Impairment loss arising on available-for-sale financial assets	<b>(9,135)</b>	–
	<u>                    </u>	<u>                    </u>
Other comprehensive loss for the period, net of income tax	<b>(8,431)</b>	(162)
	<u>                    </u>	<u>                    </u>
Total comprehensive loss for the period	<b>(293,491)</b>	(19,139)
	<u>                    </u>	<u>                    </u>
Attributable to:		
– Owners of the Company	<b>(293,491)</b>	(19,139)
– Non-controlling interests	–	–
	<u>                    </u>	<u>                    </u>
	<b>(293,491)</b>	(19,139)
	<u>                    </u>	<u>                    </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	10	180	230
Goodwill		98,099	98,099
Intangible assets		220,126	223,661
Available-for-sale investments	11	34,603	47,260
Prepayments for acquisition of film rights		29,000	29,000
		<b>382,008</b>	398,250
Current assets			
Financial assets held for trading	12	14,603	355,216
Accounts receivable	13	51,433	42,943
Prepayments, deposits and other receivables		21,890	15,756
Cash and cash equivalents		13,550	88,992
		<b>101,476</b>	502,907
Total assets		<b>483,484</b>	901,157
<b>EQUITY</b>			
Capital and reserves			
Share capital	15	196,288	196,288
Reserves		145,526	436,073
Total equity		<b>341,814</b>	632,361

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

At 30 September 2017

		At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	14	<b>32,599</b>	34,684
Consideration payable		<b>35,000</b>	115,000
Other payables and accruals		<b>9,781</b>	7,733
Provision		<b>3,547</b>	3,547
Tax payable		<b>4,716</b>	3,260
Deferred income		–	135
		<b>85,643</b>	164,359
Non-current liabilities			
Deferred tax liabilities	17	<b>56,027</b>	104,437
Total liabilities		<b>141,670</b>	268,796
Total equity and liabilities		<b>483,484</b>	901,157
Net current assets		<b>15,833</b>	338,548
Total assets less current liabilities		<b>397,841</b>	736,798
Net assets		<b>341,814</b>	632,361

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	
At 1 April 2017 (Audited)	196,288	1,233,312	(18,867)	-	9,135	(787,507)	632,361
Loss for the period	-	-	-	-	-	(285,060)	(285,060)
Other comprehensive loss for the period	-	-	704	-	(9,135)	-	(8,431)
Total comprehensive loss for the period	-	-	704	-	(9,135)	(285,060)	(293,491)
Grant of share options	-	-	-	2,944	-	-	2,944
At 30 September 2017 (Unaudited)	196,288	1,233,312	(18,163)	2,944	-	(1,072,567)	341,814
At 1 April 2016 (Audited)	196,288	1,233,312	(37)	-	-	(524,069)	905,494
Loss for the period	-	-	-	-	-	(18,977)	(18,977)
Other comprehensive loss for the period	-	-	(162)	-	-	-	(162)
Total comprehensive loss for the period	-	-	(162)	-	-	(18,977)	(19,139)
At 30 September 2016 (Unaudited)	196,288	1,233,312	(199)	-	-	(543,046)	886,355

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	<b>(8,386)</b>	(25,410)
Net cash outflow from investing activities	<b>(67,056)</b>	(81,596)
Net cash inflow from financing activities	–	–
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<b>(75,442)</b>	(107,066)
Cash and cash equivalents at the beginning of the period	<b>88,992</b>	238,292
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period Represented by cash and cash equivalents	<b>13,550</b>	131,286





## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

### 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 office unit 403, 4th floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, 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 2017 (“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 2017 (“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 estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

**3. Principal accounting policies**

The condensed consolidated 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 accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Annual Report except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 April 2017.

The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group and has no material impact on the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effect.

**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 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	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	14,499	11,258	-	-	21,500	23,459	35,999	34,717
Segment results	10,312	7,602	-	-	86	116	10,398	7,718
Other gains or losses							(331,191)	4,662
Corporate and other unallocated expenses							(11,060)	(29,054)
Finance costs							-	-
Loss before taxation							(331,853)	(16,674)
Taxation							46,793	(2,303)
Loss for the period							(285,060)	(18,977)

There were no inter-segment sales during the period (2016: Nil). Segment results represents 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.

**4. Segment information (continued)**  
**Segment assets and liabilities**

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

	Advertising		Movie		E-commerce		Consolidated	
	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)	At 30 September 2017 HK\$'000 (Unaudited)	At 31 March 2017 HK\$'000 (Audited)
Segment assets	334,883	396,433	29,000	29,000	25,892	24,820	389,775	450,253
Unallocated assets							93,709	450,904
							<b>483,484</b>	901,157
Segment liabilities	85,391	149,371	-	-	-	-	85,391	149,371
Unallocated liabilities							56,279	119,425
							<b>141,670</b>	268,796

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, deferred tax liabilities and unallocated head office and corporate liabilities.

4. **Segment information** (continued)  
**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 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortisation	3,585	21,025	-	-	-	362	-	-	3,585	21,387
Additions to non-current assets	-	130,726	-	-	-	-	-	-	-	130,726

**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	
	Six months ended		Six months ended		Six months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	21,500	23,459	14,499	11,258	35,999	34,717

	At	At	At	At	At	At
	30 September 2017	31 March 2017	30 September 2017	31 March 2017	30 September 2017	31 March 2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets	29,180	31,830	318,225	319,160	347,405	350,990

**4. Segment information (continued)**  
**Revenue from its major services**

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
	<hr/>	
Advertising	<b>14,499</b>	11,258
E-commerce	<b>21,500</b>	23,459
	<hr/>	
	<b>35,999</b>	34,717
	<hr/> <hr/>	

**Information about major customer**

Revenue from customer for the six months ended 30 September 2017 contributing over 10% of the total revenue of the Group are generated from e-commerce business (2016: e-commerce business) and as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
	<hr/>	
Customer A	<b>7,300</b>	4,056
Customer B	<b>6,282</b>	8,583
Customer C	<b>7,918</b>	10,820
	<hr/> <hr/>	

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2017 and 2016.

## 5. Turnover and other gains or losses

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	2017	2016
	HK\$'000	HK\$'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover:		
Advertising income	<b>14,499</b>	11,258
E-commerce income	<b>21,500</b>	23,459
	<b>35,999</b>	34,717
Other gains or losses:		
Fair value (loss)/gain on financial assets held for trading	<b>(7,097)</b>	4,662
Realised loss on disposal of financial assets held for trading	<b>(297,585)</b>	–
Fair value loss on available-for-sale investments	<b>(13,800)</b>	–
Realised loss on disposal of available-for-sale investments	<b>(12,709)</b>	–
	<b>(331,191)</b>	4,662

## 6. Loss before taxation

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	2017	2016
	HK\$'000	HK\$'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Share-based payment expense	<b>2,944</b>	–
Depreciation and amortisation	<b>3,585</b>	21,387

## 7. Taxation

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
Hong Kong	<b>1,617</b>	761
<b>Deferred tax</b>		
Current period	<b>(48,410)</b>	1,542
	<b>(46,793)</b>	2,303

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017 and 2016.

## 8. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2017 and 2016. 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 2017 (30 September 2016: Nil).

## 9. Loss per share

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(285,060)</b>	(18,977)



9. **Loss per share** (continued)

<b>Six months ended</b>	
<b>30 September</b>	
<b>2017</b>	<b>2016</b>
<b>'000</b>	<b>'000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

Weighted average number of shares of the Company for the purpose of basic and diluted loss per share

<b>9,814,410</b>	7,926,923
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Diluted loss per share for the six months ended 30 September 2017 were the same as basic loss per share as the potential share is anti-dilutive. Diluted loss per share were same as basic loss per share as there were no potential dilutive shares in existences during the six months ended 30 September 2016.

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

During the six months ended 30 September 2017 and 2016, the Group did not acquire any property, plant and equipment.

11. **Available-for-sale investments**

	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>

Listed investments:

Equity securities listed in Hong Kong (Note (a))	<b>34,603</b>	47,260
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Unlisted investments:

Equity securities, at cost (Note (b))	<b>26,540</b>	26,540
Less: impairment loss	<b>(26,540)</b>	(26,540)

Total

<b>34,603</b>	47,260
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## 11. Available-for-sale investments (continued)

Note:

- (a) At the end of the reporting period, details of available-for-sale investments are as follows:

Stock code	Fair value	At
	loss	30 September
	HK\$'000	2017
	(Unaudited)	HK\$'000
		(Unaudited)
48.HK	5,002	8,856
1327.HK	3,056	8,057
Others	15,070	17,690
		<u>34,603</u>

China Automotive Interior Decoration Holdings Limited (stock code: 48.HK) ("CAID") is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on CAID's interim report for the six months ended 30 June 2017, revenue and loss of CAID were approximately RMB94,392,000 and RMB231,615,000 respectively.

Time2U International Holding Limited (stock code: 1327.HK) ("Time2U") is principally engaged in the manufacture and sales of own-branded watches, OEM watches and third-party watches. Based on Time2U's interim report for the six months ended 30 June 2017, revenue and loss of Time2U were approximately RMB82,708,000 and RMB134,540,000 respectively.

Except the investments disclosed above, at 30 September 2017, there was no available-for-sale investments held by the Group the value of which was more than 5% of the total assets of the Group.

- (b) Unlisted equity securities represented the securities issued by a private company incorporated in Hong Kong. The private company is principally engaged in outdoor advertising in Hong Kong. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair values estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

## 12. Financial assets held for trading

	<b>At 30 September 2017 HK\$'000 (Unaudited)</b>	<b>At 31 March 2017 HK\$'000 (Audited)</b>
Equity securities listed in Hong Kong	<b>14,603</b>	355,216

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

<b>Stock code</b>	<b>Fair value gain/(loss) HK\$'000 (Unaudited)</b>	<b>At 30 September 2017 HK\$'000 (Unaudited)</b>
2324.HK	(1,954)	<b>5,400</b>
736.HK	(5,187)	<b>4,556</b>
Others	44	<b>4,647</b>
	<b>(7,097)</b>	<b>14,603</b>

Capital VC Limited (stock code: 2324.HK) ("Capital VC") is principally engaged in investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China. Based on Capital VC's interim report for the six months ended 31 March 2017, negative revenue and loss of Capital VC were approximately HK\$69,529,000 and HK\$62,275,000 respectively.

China Properties Investment Holdings Limited (stock code: 736.HK) ("CPIHL") is principally engaged in properties investments, money lending business and providing brokerage services for securities dealing, placing and undertaking services, margin financing and asset management. Based on CPIHL's annual report for the year ended 31 March 2017, revenue and loss of CPIHL were approximately HK\$63,345,000 and HK\$16,584,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the investments disclosed above, at 30 September 2017, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the six months ended 30 September 2017.

### 13. Accounts receivable

The following is an aged analysis of accounts receivable, based on the date of recognition of income, at the end of the reporting period:

	<b>At 30 September 2017 HK\$'000 (Unaudited)</b>	At 31 March 2017 HK\$'000 (Audited)
Within 30 days	<b>1,333</b>	11,376
31 – 90 days	<b>2,666</b>	4,437
91 – 365 days	<b>15,183</b>	23,863
Over 365 days	<b>32,480</b>	3,496
	<b>51,662</b>	43,172
Less: impairment loss in respect of accounts receivable	<b>(229)</b>	(229)
	<b>51,433</b>	42,943

The Group allows an average credit period of 180 days for advertising customers.

### 14. Accounts payable

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

	<b>At 30 September 2017 HK\$'000 (Unaudited)</b>	At 31 March 2017 HK\$'000 (Audited)
91-365 days	<b>31,415</b>	33,500
Over 365 days	<b>1,184</b>	1,184
	<b>32,599</b>	34,684

## 15. Share capital

	Number of Shares '000	Nominal value of Shares HK\$'000
<b>Authorised:</b>		
Share capital of HK\$0.02 each:		
At 1 October 2016, 31 March 2017, 1 April 2017 and 30 September 2017	50,000,000	1,000,000
<b>Issued and fully paid:</b>		
Share capital of HK\$0.02 each:		
At 1 October 2016, 31 March 2017, 1 April 2017 and 30 September 2017	9,814,410	196,288

## 16. Non-voting convertible preference shares

	Number of Shares '000	Nominal value of Shares HK\$'000
<b>Authorised:</b>		
Non-voting convertible preference shares of HK\$0.07 each:		
At 1 October 2016, 31 March 2017, 1 April 2017 and 30 September 2017	7,000,000	490,000
<b>Issued and fully paid:</b>		
Non-voting convertible preference shares of HK\$0.07 each:		
At 1 October 2016, 31 March 2017, 1 April 2017 and 30 September 2017	–	–

## 17. Deferred tax liabilities

	Accelerated tax depreciation HK\$'000	Unrealised fair value changes on financial assets held for trading HK\$'000	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Total HK\$'000
At 31 March 2017 (Audited) and 1 April 2017	5	48,516	55,916	104,437
Credited to profit or loss	–	(47,827)	(583)	(48,410)
<b>At 30 September 2017 (Unaudited)</b>	<b>5</b>	<b>689</b>	<b>55,333</b>	<b>56,027</b>

## 18. Share option schemes

On 29 August 2014, the Company adopted the existing share option scheme (the "Share Option Scheme"), which will be valid for 10 years. For details of Share Option Scheme, please refer to the Company's circular dated 30 July 2014.

During the six months ended 30 September 2017, 981,440,000 share options were granted, no share option was exercised, cancelled nor lapsed under the Share Option Scheme.

No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 September 2016.

## 19. Operating lease commitments

The Group leases office premise under operating lease arrangements, with leases negotiated for terms of three years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>At 30 September 2017 HK\$'000 (Unaudited)</b>	At 31 March 2017 HK\$'000 (Audited)
Within one year	<b>142</b>	168
In the second to fifth years inclusive	–	56
	<b>142</b>	224

## 20. Related party transactions

During the six months ended 30 September 2017 and 2016, in addition to the balance disclosed elsewhere in Interim Financial Statements, the Group had the following material transactions with related parties:

### *Key management personnel*

	<b>Six months ended 30 September 2017 HK\$'000 (Unaudited)</b>	2016 HK\$'000 (Unaudited)
Short-term employee benefits	<b>120</b>	180

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.

## 21. Events after the reporting period

The Group did not have any significant event after the reporting period.



## 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 2017, the Group recorded a turnover of approximately HK\$35,999,000 (2016: HK\$34,717,000), representing a slightly increase of 3.7% as compared with corresponding period last year. The turnover remain relatively stable as the Group has built up certain reputation in both advertising and also the e-commerce business which is able to keep customers for long term business relationship. Gross profit increased to approximately HK\$10,398,000 in the Current Interim Period (2016: HK\$7,718,000). The gross profit margin increased to 28.9% in the Current Interim Period from 22.2% over the second half for the year ended 31 March 2017. The increase in gross profit margin was mainly because advertising business contributed more revenue during the period while it has higher gross profit margin comparing with such in e-commerce business. Administrative expenses also decreased to approximately HK\$11,060,000 for the six months ended 30 September 2017 from approximately HK\$29,054,000 over the second half for the year ended 31 March 2017. The decrease was mainly due to (1) the decrease in marketing expense as the Group has built up certain reputation in the market and (2) the amortisation of intangible asset was over provided for the corresponding period in 2016.

Loss attributable to the owners of the Company amounted to approximately HK\$285,060,000 in the Current Interim Period (2016: HK\$18,977,000) and loss per share for the period was HK\$2.90 cents in the Current Interim Period (2016: loss per share of HK\$0.24 cents). Despite the increase in gross profit compared with corresponding period last year, the significant decline on performance of the Group as compared with corresponding period last year was mainly due to the recognition of realised loss on investment in China Jicheng Holdings Limited (Stock code: 1027.HK) of approximately HK\$283,644,000 for the corresponding period last year, which included in other gains or losses. Excluding the other gains or losses, the Group has incurred loss before taxation of approximately HK\$662,000 for the six months ended 30 September 2017 compared with the loss before taxation of approximately HK\$21,336,000 for the six months ended 30 September 2016.

## **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 like 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 commenced the business of e-commerce. The boom of e-commerce in China and the Group's continuous expansion of e-commerce channel contributed to the substantial increase in the weighting of the 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\$13,550,000 as at 30 September 2017 (31 March 2017: HK\$88,992,000). The Group recorded total current assets of approximately HK\$101,476,000 as at 30 September 2017 (31 March 2017: HK\$502,907,000) and total current liabilities of approximately HK\$85,643,000 as at 30 September 2017 (31 March 2017: HK\$164,359,000).

There were no bank borrowings as at 30 September 2017 (31 March 2017: 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 2017: zero).

### ***Capital structure***

#### *Authorised share capital*

As at 30 September 2017, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,490,000,000.00 divided into 50,000,000,000 shares ("Shares") of HK\$0.02 each and 7,000,000,000 non-voting convertible preference shares of HK\$0.07 each. The Authorised Share Capital had no change during the Current Interim Period.

#### *Issued share capital*

As at 30 September 2017, the number of Shares in issue was 9,814,410,000 Shares of HK\$0.02 each. The issued share capital of the Company had no change during the Current Interim Period.





### **Use of proceeds**

As at 30 September 2017, the application of the net proceeds of approximately HK\$480,283,000 from open offer completed during the year ended 31 March 2016 has been fully utilised as intended.

### **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 2017, no asset was pledged for the Group.

### **Capital commitment**

As at 30 September 2017, the Group had no material capital commitment.

### **Contingent liabilities**

As at 30 September 2017, the Group had no material contingent liabilities.

### **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 2017 to 30 September 2017, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

### **Share Option**

The Company has adopted the existing share option scheme on 29 August 2014 and scheme mandate limit of which has been refreshed at the annual general meeting of the Company held on 31 August 2017 lately.

As at 30 September 2017 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 2017, 981,440,000 share options were granted, no share option was exercised, cancelled nor lapsed under the Share Option Scheme.

### **Employment Information**

As at 30 September 2017, the Group had 14 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**

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

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**

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

As at 30 September 2017, 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 Securities and Futures Ordinance (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 2017, 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 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 competes or may compete directly or indirectly with the business of the Group for the six months ended 30 September 2017.

### **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.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation under the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices in this respect are no less exacting than those of the CG Code.


Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director Ms. Wang Miaojun, was unable to attend the annual general meeting of the Company held on 31 August 2017.

### **Changes in the Information of the Directors Since the Date of the Annual Report**

Since 26 July 2017 (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 2017 and 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 possess 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 2017. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 30 September 2017.

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

Saved as disclosed in this interim report, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period ended 30 September 2017 requiring disclosure in this interim report.

### **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, 24 November 2017