

# CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 745

## Interim 2018 Report





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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
Notes		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	5	<b>36,392</b>	35,999
Cost of sales		<b>(25,805)</b>	(25,601)
		<hr/>	<hr/>
Gross profit		<b>10,587</b>	10,398
Other gains or losses	5	<b>(13,372)</b>	(331,191)
Administrative expenses		<b>(11,391)</b>	(11,060)
		<hr/>	<hr/>
Loss before taxation	6	<b>(14,176)</b>	(331,853)
Taxation	7	<b>351</b>	46,793
		<hr/>	<hr/>
Loss for the period		<b>(13,825)</b>	(285,060)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
– Owners of the Company		<b>(13,825)</b>	(285,060)
– Non-controlling interests		<b>–</b>	–
		<hr/>	<hr/>
		<b>(13,825)</b>	(285,060)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	9		
For loss for the period			
– basic and diluted (HK cents)		<b>(0.14)</b>	(2.90)
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 30 September 2018

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
	<hr/>	<hr/>
Loss for the period	<b>(13,825)</b>	(285,060)
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>231</b>	704
Impairment loss arising on available-for-sale investments	-	(9,135)
	<hr/>	<hr/>
Other comprehensive loss for the period, net of income tax	<b>231</b>	(8,431)
	<hr/>	<hr/>
Total comprehensive loss for the period	<b>(13,594)</b>	(293,491)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
– Owners of the Company	<b>(13,594)</b>	(293,491)
– Non-controlling interests	-	-
	<hr/>	<hr/>
	<b>(13,594)</b>	(293,491)
	<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)
	Notes		
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	10	88	138
Intangible assets		236,581	240,175
Goodwill		43,805	43,805
Investment in equity instruments	11	12,630	–
Available-for-sale investments	11	–	18,122
Prepayments for acquisition of film rights		2,750	2,750
		<b>295,854</b>	304,990
Current assets			
Financial assets held for trading	12	14,177	19,613
Accounts receivables	13	47,084	37,820
Prepayments, deposits and other receivables		24,012	24,249
Tax receivables		–	1,026
Cash and cash equivalents		6,755	12,032
		<b>92,028</b>	94,740
Total assets		<b>387,882</b>	399,730
<b>EQUITY</b>			
Capital and reserves			
Share capital	15	196,288	196,288
Reserves		79,185	96,391
Total equity		<b>275,473</b>	292,679

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

At 30 September 2018

		At <b>30 September</b> <b>2018</b> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2018 HK\$'000 (Audited)
	Notes		
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	14	<b>29,459</b>	12,285
Other payables and accruals		<b>19,467</b>	22,903
Provision		–	3,547
Tax payables		<b>4,087</b>	4,887
Deferred income		<b>251</b>	3,385
		<b>53,264</b>	47,007
Non-current liabilities			
Deferred tax liabilities	17	<b>59,145</b>	60,044
Total liabilities		<b>112,409</b>	107,051
Total equity and liabilities		<b>387,882</b>	399,730
Net current assets		<b>38,764</b>	47,733
Total assets less current liabilities		<b>334,618</b>	352,723
Net assets		<b>275,473</b>	292,679

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2018 (Audited)	196,288	1,233,312	5,608	3,651	-	(1,146,180)	292,679
Impact on initial application of HKFRS 9	-	-	-	-	-	(3,612)	(3,612)
At 1 April 2018 (Adjusted)	196,288	1,233,312	5,608	3,651	-	(1,149,792)	289,067
Loss for the period	-	-	-	-	-	(13,825)	(13,825)
Other comprehensive loss for the period	-	-	231	-	-	-	231
Total comprehensive loss for the period	-	-	231	-	-	(13,825)	(13,594)
At 30 September 2018 (Unaudited)	196,288	1,233,312	5,839	3,651	-	(1,163,617)	275,473
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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	<b>(4,716)</b>	(8,386)
Net cash outflow from investing activities	<b>(561)</b>	(67,056)
Net decrease in cash and cash equivalents	<b>(5,277)</b>	(75,442)
Cash and cash equivalents at the beginning of the period	<b>12,032</b>	88,992
Cash and cash equivalents at the end of the period	<b>6,755</b>	13,550
Represented by cash and cash equivalents	<b>6,755</b>	13,550



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

### 1. Corporate information

China National Culture Group Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company in Hong Kong is located at Unit 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 2018 (“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 2018 (“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 2018.

### 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 2018 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 2018.

The Group applies, for the first time, HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

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.

#### ***HKFRS 9 Financial Instruments***

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

##### *(i) Classification and measurement*

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's pledged bank balances, pledged deposits with banks, cash and bank balances and financial assets included in prepayments, deposits and other receivables.
- Financial assets at FVPL comprise derivative instruments and quoted investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's derivative instruments and quoted investments were also classified as financial assets at FVPL.

**3. Principal accounting policies (continued)**  
**HKFRS 9 Financial Instruments (continued)**

(i) *Classification and measurement (continued)*

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the income statement. Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

A reconciliation between the carrying amounts under HKAS 39 to the balances reported under HKFRS 9 as of 1 April 2018 is as follows:

	<b>Available- for-sale investments</b>	<b>Investment in equity instruments</b>
	HK\$'000	HK\$'000
Closing balance at 31 March 2018	18,122	–
<b>Reclassification</b>	(18,122)	18,122
Opening balance at 1 April 2018 Under HKFRS 9	–	18,122

**3. Principal accounting policies** *(continued)*  
**HKFRS 9 Financial Instruments** *(continued)*

*(ii) Impairment*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, loans to customers, trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

**3. Principal accounting policies (continued)**  
**HKFRS 9 Financial Instruments (continued)**

(ii) *Impairment (continued)*

For accounts receivables

Allowances of doubtful debts for accounts receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

	<b>Accounts receivables</b> HK\$'000	<b>Reserves</b> HK\$'000
Closing balance at 31 March 2018	37,820	96,391
<b>Remeasurement</b>		
Recognition of ECLs on trade receivables	(3,612)	(3,612)
Opening balance at 1 April 2018 Under HKFRS 9	34,208	92,779

#### 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.

#### *Segment revenue and results*

The following is an analysis of the Group's revenue and results by operating segments:

	Advertising Six months ended		Movie Six months ended		E-commerce Six months ended		Consolidated Six months ended	
	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
Segment revenue:								
Contract revenue from external customers	22,786	14,499	-	-	13,606	21,500	36,392	35,999
Segment results	10,519	10,312	-	-	68	86	10,587	10,398
Other gains or losses Corporate and other unallocated expenses							(13,372)	(331,191)
							(11,391)	(11,060)
Loss before taxation							(14,176)	(331,853)
Taxation							351	46,793
Loss for the period							(13,825)	(285,060)

**4. Segment information (continued)**  
**Segment revenue and results (continued)**

There were no inter-segment sales during the period (2017: 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.

**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 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)
Segment assets	339,581	363,527	2,750	2,750	27,479	12,419	369,810	378,696
Unallocated assets							18,072	21,034
							<b>387,882</b>	<b>399,730</b>
Segment liabilities	96,481	99,168	-	-	10,755	-	107,236	99,168
Unallocated liabilities							5,173	7,883
							<b>112,409</b>	<b>107,051</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, deferred tax liabilities and unallocated head office and corporate liabilities.

**Other segment information**

	Advertising Six months ended		Movie Six months ended		E-commerce Six months ended		Unallocated Six months ended		Consolidated Six months ended	
	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)	30 September 2018 HK\$'000 (Unaudited)	30 September 2017 HK\$'000 (Unaudited)
Depreciation and amortisation	3,593	3,585	-	-	-	-	-	-	3,593	3,585
Additions to non-current assets	-	-	-	-	-	-	-	-	-	-

**4. Segment information (continued)**  
**Geographical information**

The Group operates in two principal geographical areas – Hong Kong and the People’s Republic of China (the “PRC”).

The Group’s revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Hong Kong		The PRC		Total	
	Six months ended		Six months ended		Six months ended	
	30 September	30 September	30 September	30 September	30 September	30 September
	2018	2017	2018	2017	2018	2017
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	13,606	21,500	22,786	14,499	36,392	35,999
	At	At	At	At	At	At
	30 September	31 March	30 September	31 March	30 September	31 March
	2018	2018	2018	2018	2018	2018
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets	2,838	2,888	280,386	283,980	283,224	286,868

**Revenue from its major services**

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

	Six months ended	
	30 September	2017
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Advertising	22,786	14,499
E-commerce	13,606	21,500
	36,392	35,999



**4. Segment information (continued)**  
**Information about major customer**

Revenue from customer for the six months ended 30 September 2018 contributing over 10% of the total revenue of the Group are generated from e-commerce business (2017: e-commerce business) and as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Customer A	<b>12,553</b>	7,300
Customer B	<b>*N/A</b>	6,282
Customer C	<b>*N/A</b>	7,918

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2018 and 2017.

\* The corresponding revenue (current period) did not contribute over 10% of the total sales of the Group.

**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>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Turnover:		
Advertising income	<b>22,786</b>	14,499
E-commerce income	<b>13,606</b>	21,500
	<b>36,392</b>	35,999
Other gains or losses:		
Fair value loss on financial assets held for trading	<b>(5,997)</b>	(7,097)
Realised loss on disposal of financial assets held for trading	-	(297,585)
Fair value loss on investment in equity instruments	<b>(5,492)</b>	(13,800)
Realised loss on disposal of available-for-sale investments	-	(12,709)
Impairment loss of accounts receivables	<b>(2,014)</b>	-
Others	<b>131</b>	-
	<b>(13,372)</b>	(331,191)

## 6. Loss before taxation

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Share-based payment expense	–	2,944
Depreciation and amortisation	<b>3,593</b>	<b>3,585</b>

## 7. Taxation

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Current tax</b>		
Hong Kong	<b>548</b>	1,617
<b>Deferred tax</b>		
Current period	<b>(899)</b>	(48,410)
	<b>(351)</b>	(46,793)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2018 and 2017.

## 8. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2018 and 2017. 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 2018 (30 September 2017: 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 30 September</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(13,825)</b>	(285,060)

	<b>Six months ended 30 September</b>	
	<b>2018</b>	2017
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of shares of the Company for the purpose of basic and diluted loss per share	<b>9,814,410</b>	9,814,410

Diluted loss per share for the six months ended 30 September 2018 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 2017.

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

During the six months ended 30 September 2018 and 2017, the Group did not acquire any property, plant and equipment.

## 11. Investment in equity instruments/Available-for-sale investments

	<b>At 30 September 2018 HK\$'000 (Unaudited)</b>	<b>At 31 March 2018 HK\$'000 (Audited)</b>
Listed investments:		
Equity securities listed in Hong Kong (Note (a))	<b>12,630</b>	18,122
Unlisted investments:		
Equity securities, at cost (Note (b))	<b>26,540</b>	26,540
Less: impairment loss	<b>(26,540)</b>	(26,540)
	-	-
<b>Total</b>	<b>12,630</b>	18,122

Note:

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

<b>Stock code</b>	<b>Fair value loss HK\$'000 (Unaudited)</b>	<b>At 30 September 2018 HK\$'000 (Unaudited)</b>
1327.HK	(1,714)	<b>5,486</b>
Others	(3,778)	<b>7,144</b>
	(5,492)	<b>12,630</b>

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 2018, revenue and loss of Time2U were approximately RMB83,463,000 and RMB21,032,000 respectively.

Except the investments disclosed above, at 30 September 2018, there was no investment in equity instruments held by the Group the value of which was more than 5% of the total assets of the Group.

## 11. Investment in equity instruments/Available-for-sale investments (continued)

Note: (continued)

- (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.

## 12. Financial assets held for trading

	<b>At 30 September 2018 HK\$'000 (Unaudited)</b>	<b>At 31 March 2018 HK\$'000 (Audited)</b>
Equity securities listed in Hong Kong	<b>14,177</b>	19,613

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

<b>Stock code</b>	<b>Fair value loss HK\$'000 (Unaudited)</b>	<b>At 30 September 2018 HK\$'000 (Unaudited)</b>
2324.HK	(3,600)	<b>5,201</b>
736.HK	(1,926)	<b>2,783</b>
Others	(471)	<b>6,193</b>
	<b>(5,997)</b>	<b>14,177</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 2018, negative revenue and loss of Capital VC were approximately HK\$112,237,000 and HK\$124,899,000 respectively.

## 12. Financial assets held for trading (continued)

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 2018, revenue and loss of CPIHL were approximately HK\$61,760,000 and HK\$569,456,000 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 2018, 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 2018.

## 13. Accounts receivables

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

	<b>At 30 September 2018 HK\$'000 (Unaudited)</b>	At 31 March 2018 HK\$'000 (Audited)
Within 30 days	<b>2,868</b>	9,588
31 – 60 days	<b>6,205</b>	2,352
61 – 90 days	<b>6,672</b>	2,856
91 – 365 days	<b>33,045</b>	16,190
Over 365 days	<b>15,652</b>	18,566
	<b>64,442</b>	49,552
Less: impairment loss in respect of accounts receivables	<b>(17,358)</b>	(11,732)
	<b>47,084</b>	37,820

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 2018 HK\$'000 (Unaudited)</b>	At 31 March 2018 HK\$'000 (Audited)
0 – 30 days	<b>2,491</b>	625
31 – 60 days	<b>3,518</b>	625
61 – 365 days	<b>16,080</b>	6,250
Over 365 days	<b>7,370</b>	4,785
	<b>29,459</b>	12,285

#### 15. Share capital

	<b>Number of Shares '000</b>	<b>Nominal value of Shares HK\$'000</b>
<b>Authorised:</b>		
Share capital of HK\$0.02 each: At 1 October 2017, 31 March 2018, 1 April 2018 and 30 September 2018	50,000,000	1,000,000
<b>Issued and fully paid:</b>		
Share capital of HK\$0.02 each: At 1 October 2017, 31 March 2018, 1 April 2018 and 30 September 2018	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 2017, 31 March 2018, 1 April 2018 and 30 September 2018	7,000,000	490,000
<b>Issued and fully paid:</b>		
Non-voting convertible preference shares of HK\$0.07 each:		
At 1 October 2017, 31 March 2018, 1 April 2018 and 30 September 2018	–	–

## 17. Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Total HK\$'000
At 31 March 2018 (Audited) and 1 April 2018	(60,044)	(60,044)
Credited to profit or loss	899	899
<b>At 30 September 2018 (Unaudited)</b>	<b>(59,145)</b>	<b>(59,145)</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.

No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 September 2018.

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.



## 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 2018 HK\$'000 (Unaudited)</b>	At 31 March 2018 HK\$'000 (Audited)
Within one year	<b>186</b>	56
In the second to fifth years inclusive	<b>155</b>	–
	<b>341</b>	56

## 20. Related party transactions

During the six months ended 30 September 2018 and 2017, 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 2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
Short-term employee benefits	<b>210</b>	120

The remuneration of directors and key executives of the Group is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Interim Dividend

The Board does not recommend the payment of interim dividend for the Current Interim Period.

### Business Review

For the six months ended 30 September 2018, the Group recorded a turnover of approximately HK\$36,392,000 (2017: HK\$35,999,000), representing a slightly increase of 1.1% 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\$10,587,000 in the Current Interim Period (2017: HK\$10,398,000). The gross profit margin increased slightly to 29.1% in the Current Interim Period from 28.9% in the corresponding period last year. Administrative expenses also increased slightly to approximately HK\$11,391,000 for the six months ended 30 September 2018 from approximately HK\$11,060,000 for the corresponding period last year.

Loss attributable to the owners of the Company amounted to approximately HK\$13,825,000 in the Current Interim Period (2017: HK\$285,060,000) and loss per share for the period was HK\$0.14 cents in the Current Interim Period (2017: loss per share of HK\$2.90 cents). Despite the decrease in gross profit compared with corresponding period last year, the significant improvement 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 was included in other gains or losses.

### 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 has been actively engaged in the business of e-commerce. The boom of e-commerce in China and the Group's continuous expansion of e-commerce channel contributed revenue of sales from e-commerce channel. In view of the rising popularity of e-commerce, the Group believes that it will help to open up new income streams.

## **Financial Review**

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

The Group had total cash and bank balances of approximately HK\$6,755,000 as at 30 September 2018 (31 March 2018: HK\$12,032,000). The Group recorded total current assets of approximately HK\$92,028,000 as at 30 September 2018 (31 March 2018: HK\$94,740,000) and total current liabilities of approximately HK\$53,264,000 as at 30 September 2018 (31 March 2018: HK\$47,007,000).

There were no bank borrowings as at 30 September 2018 (31 March 2018: 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 2018: zero).

### ***Capital structure***

#### *Authorised share capital*

As at 30 September 2018, 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 2018, 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.

### **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 2018, no asset was pledged for the Group.

### **Capital commitment**

As at 30 September 2018, the Group had no material capital commitment.

### **Contingent liabilities**

As at 30 September 2018, 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 2018 to 30 September 2018, 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.

As at 30 September 2018 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 2018, no share option was granted, exercised, cancelled nor lapsed under the Share Option Scheme.

### **Employment Information**

As at 30 September 2018, the Group had 13 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 2018, 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 2018, 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 2018.

### **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 2018.

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

Since 27 July 2018 (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 2018 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 independent 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 2018. 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 2018.

## **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 2018 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, 28 November 2018

*As at the date of this report, the Board comprises Ms. SUN Wei and Ms. MAN Qiaozhen as Executive Directors; and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie as Independent Non-Executive Directors.*