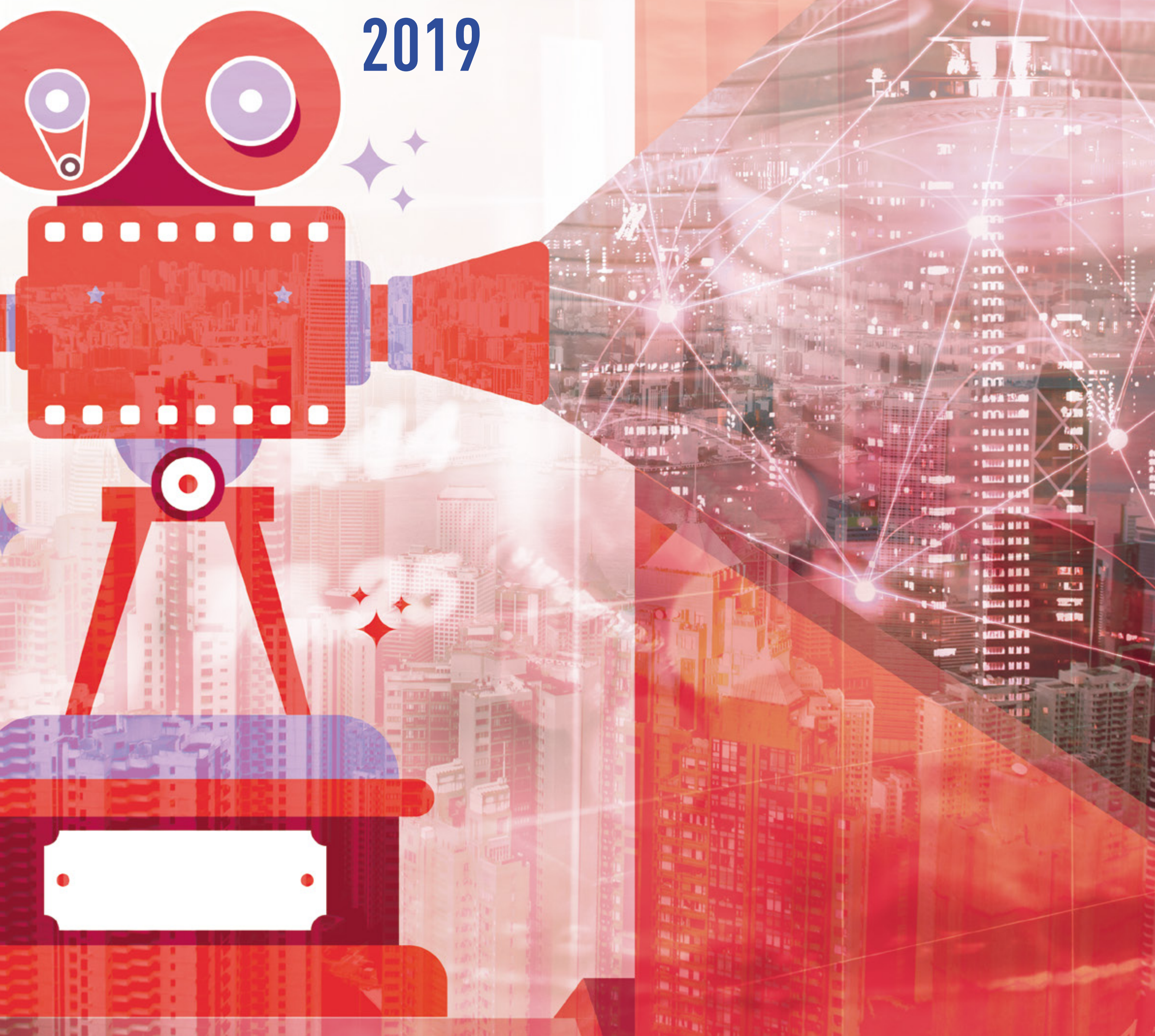
CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：745

ANNUAL REPORT 2019



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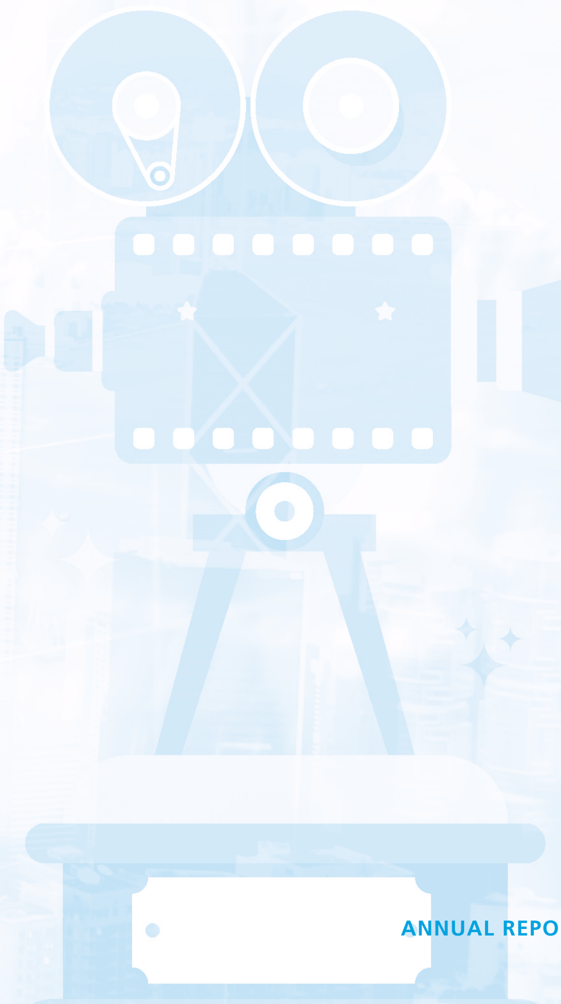

Corporate Information

DIRECTORS

Executive Directors

Ms. SUN Wei
Ms. MAN Qiaozhen

Independent Non-Executive Directors

Mr. LIU Kwong Sang
Ms. WANG Miaojun
Ms. WANG Yujie

AUDIT COMMITTEE

Mr. LIU Kwong Sang (Chairperson)
Ms. WANG Miaojun
Ms. WANG Yujie

REMUNERATION COMMITTEE

Mr. LIU Kwong Sang (Chairperson)
Ms. SUN Wei
Ms. WANG Miaojun
Ms. WANG Yujie

NOMINATION COMMITTEE

Ms. WANG Miaojun (Chairperson)
Ms. SUN Wei
Mr. LIU Kwong Sang
Ms. WANG Yujie

COMPANY SECRETARY

Mr. LI Wing Sum Steven

ASSISTANT COMPANY SECRETARY

Conyers Trust Company (Cayman) Limited

AUDITOR

Elite Partners CPA Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House - 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

SHARE LISTING

Main Board of The Stock Exchange of Hong Kong Limited
(Stock code: 745)

Director's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board" or the "Directors") of China National Culture Group Limited (the "Company"), I present the annual results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 March 2019.

CURRENT YEAR REVIEW

During the year, the Group keep focusing on its existing advertising and e-commerce business. It is expected that it will generate stable revenue stream to the Group. Besides, the Group also invested in a number of movies which are expected to generate positive contributions to the Group in the future.

The Group has net loss for the year mainly due to (i) net realised and unrealised loss on financial assets held for trading; and (ii) impairment loss in respect of goodwill and intangible assets, which net off the improved business performance of advertising segment. The Directors will continue to maintain a diversified investment portfolio and closely monitor the performance of all investments.

PROSPECTS

The Group has been actively seeking new business opportunities from time to time in order to (1) broaden the source of income; (2) diversify its business; and (3) enhance the long-term growth potential of the Group and the shareholder's value.

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, including but not limited to media and culture related business, 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; and
- Diversifying the Group's business portfolio in other business sector, including but not limited to education business.

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

APPRECIATION

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

SUN Wei
Executive Director

Hong Kong, 28 June 2019

Management Discussion and Analysis

Business Review

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$89,876,000 (2018: HK$101,155,000), representing a decrease of 11.2% as compared with last year. The decrease in turnover in the current year mainly because there was no revenue generated from sale of film rights during the year and the management expects such revenue will be generated for the year ending 31 March 2020. The Group recorded a gross profit of approximately HK$21,071,000 for the year ended 31 March 2019 as compared with a gross profit of approximately HK$21,441,000 for the year ended 31 March 2018 mainly because the business performance of advertising segment has been improved as more customers wanted to upgrade their services to meet customers' needs, which provide relatively higher profit margin.

Loss attributable to the owners of the Company amounted to approximately HK$65,904,000 for the year ended 31 March 2019 as compared with a loss attributable to the owners of the Company amounted to approximately HK$358,673,000 for the year ended 31 March 2018. The net loss reported by the Group was mainly arising from the impairment loss recognised in respect of goodwill and intangible assets.

Financial Review

As at the end of the year, non-current assets decreased to approximately HK$212,679,000 (2018: HK$304,990,000) due to impairment loss recognised on goodwill and intangible assets during the year. Current assets increased due to the increase in accounts receivable. Total current liabilities were increased due to the increases in account payables and other payables.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2019:

Name of investee	As at 1 April 2018 HK$'000	Loss on disposal HK$'000	Fair value loss HK$'000	As at 31 March 2019 HK$'000	Percentage to the Group's audited total assets as at 31 March 2019 %	Number of shares held by the Group as at 1 April 2018	Percentage of shareholding held by the Group as at 1 April 2018 %	Number of shares held by the Group as at 31 March 2019	Percentage of shareholding held by the Group as at 31 March 2019 %
Significant investments									
Capital VC Limited ("**Capital VC**") (stock code: 2324.HK) *(note)*	8,800	–	(4,600)	4,200	1.3%	100,000,000	3.63%	100,000,000	3.63%
Sub-total	8,800	–	(4,600)	4,200	1.3%				
Other listed securities	10,813	(13)	(1,162)	10,212	3.1%				
Total	19,613	(13)	(5,762)	14,412	4.4%				

Note: Capital VC is 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 2019, turnover and loss of Capital VC were approximately HK$47.7 million and HK$66.4 million 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 significant investments disclosed above, at 31 March 2019, 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 year ended 31 March 2019.

Equity instruments of FVTOCI as at 31 March 2019

Name of investee	As at 1 April 2018 *HK$'000*	Gain on disposal *HK$'000*	Fair value loss *HK$'000*	As at 31 March 2019 *HK$'000*	Percentage to the Group's audited total assets as at 31 March 2019 *%*	Number of shares held by the Group as at 1 April 2017	Percentage of shareholding held by the Group as at 1 April 2017 *%*	Number of shares held by the Group as at 31 March 2018	Percentage of shareholding held by the Group as at 31 March 2018 *%*
Time2U International Holding Limited ("**Time2U**") (stock code: 1327) *(note)*	7,200	–	(171)	7,029	2.2%	171,428,000	4.96%	171,428,000	4.96%
Other listed securities	10,922	940	(3,772)	4,674	1.4%				
Total	18,122	940	(3,943)	11,703	3.6%				

Note: Time2U is principally engaged in the manufacture and sales of own-branded watches and jewelleries, including but not limited to diamond watches, tourbillion watches and luxury jewellery accessories, OEM watches and third-party watches. Based on Time2U's annual report for the year ended 31 December 2018, revenue and loss of Time2U were approximately RMB106.9 million and RMB106.8 million respectively.

No impairment loss was recognised in relation to the equity instruments of FVTOCI by reference to the market price of the equity instruments of FVTOCI as at 31 March 2019.

Except the equity instruments of FVTOCI disclosed above, at 31 March 2019, there was no equity instruments of FVTOCI held by the Group the value of which was more than 5% of the total assets of the Group.

Capital structure

Authorised share capital

As at 31 March 2019, the authorised share capital of the Company ("Authorised Share Capital") was HK$1,490,000,000 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 year ended 31 March 2019.

Issued share capital

As at 31 March 2019, 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 year ended 31 March 2019.

Management Discussion and Analysis

Liquidity and financing

The Group had total cash and bank balances of approximately HK$10,475,000 as at 31 March 2019 (2018: HK$12,032,000). The Group recorded total current assets of approximately HK$114,113,000 as at 31 March 2019 (2018: HK$94,740,000) and total current liabilities of approximately HK$63,240,000 as at 31 March 2019 (2018: HK$47,007,000).

There were no bank borrowings as at 31 March 2019 (2018: Nil). The Group's gearing ratio, remained as zero (2018: zero).

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars. The Group conducts its core business transaction mainly in Hong Kong dollars or Renminbi 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 31 March 2019, no asset of the Group was being pledged as there is no external financing (2018: Nil).

Capital commitment

As at 31 March 2019, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately HK$2,807,000 (2018: HK$3,185,000).

Contingent liabilities

As at 31 March 2019, the Group had no material contingent liabilities (2018: Nil).

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 annual report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 March 2019. Apart from those disclosed in this annual report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this annual report.

Employee Information

As at 31 March 2019, the Group had 17 (2018: 13) 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.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 23 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2019 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 32 to 103.

The Board does not recommend the payment of a dividend (2018: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 104 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in the notes 31 and 32 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has adopted the existing share option scheme (the "Share Option Scheme") on 29 August 2014. The scheme mandate limit of which has been refreshed at the annual general meeting of the Company on 31 August 2017. During the year under review, no share option was granted, exercised, cancelled nor lapsed.

Report of the Directors

Details of the Share Option Scheme are as follows:

1. **Purposes**

   The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company.

2. **Qualifying participants**

   The qualifying participants include (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; and (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board. If options are granted to the participants, regards will be had as to, inter alia, the relationship of the grantee to the Group, the length of time of relationship, the contribution made or to be made to the Group, etc.

3. **Maximum number of shares**

   The maximum number of shares in respect of which share options may be granted under the Share Option Scheme shall be 981,441,000 Shares, approximately 10% of the Shares in issue as at 31 August 2017. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

   As at the date of this annual report, 981,440,000 Shares were available for issue under the Share Option Scheme.

4. **Maximum entitlement of each participant**

   Maximum entitlement of each participant is 1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant, any further grant of options to a participant in excess of the individual limit (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant must be subject to the Shareholders' approval separately in general meeting of the Company with such participant and his/her associates abstaining from voting.

5. **Option period**

   The option period is determined by the Board provided that it is not later than ten (10) years from the date the Board makes an offer of the grant of an option subject to the provision for early termination. There is no minimum period for which an option must be held before it can be exercised.

6. **Acceptance of offer**

   An offer of the grant of an option may be accepted within 28 days from the date of grant together with a remittance of HK$1.00 by way of consideration for the grant thereof.

7. **Exercise price**

The exercise price of the option shall be determined at the discretion of the Directors which shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

8. **Remaining life of the scheme**

It shall be effective for a period of ten (10) years commencing on 29 August 2014.

At no time during the year ended 31 March 2019 was the Company, nor any of its, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the Companies Law (as revised) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2019, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2019, the Company had no reserves available for distribution under the provisions of the Companies Law (as revised) of the Cayman Islands (2018: Nil).

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 34.44% (2018: 62.00%) of the total sales for the year and sales to the largest customer included therein amounted to 32.31% (2018: 32.43%). The aggregate purchases during the year attributable to the Group's 5 largest suppliers accounted for 100.00% (2018: 100.00%) of the Group's total purchases for the year and the purchase from the largest supplier included therein amounted to 69.45% (2018: 50.55%).

None of the Directors or any of their associates or any shareholders of the Company (the "Shareholders") (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers or the Group's 5 largest suppliers.

OVERVIEW AND PERFORMANCE OF THE YEAR

A review of the business of the Group and analysis of the Group's performance using financial key performance indicators is provided in the Management Discussion and Analysis section on pages 4 to 6 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, the principal risks and uncertainties faced by the Group are set out below:

Operational Risks

Our revenue is mainly derived from contracts which are not recurring in nature and any significant decrease in the number of our contracts would affect our operations and financial results.

62.91% (2018: 37.05%) of our revenue during the year ended 31 March 2019 was derived from advertising and value added services through mobile devices and production and distribution of films and provision of other film related services. Our engagements with customers were on a project basis and non-recurring in nature. No long term agreement or master service agreement was entered into with our customers as at the date of this annual report. After completion of the contract, our customers are not obliged to engage us again in subsequent contracts, and we have to undergo the tendering process for every new contract. There is no assurance that our existing customers will award new contracts to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new contracts from our existing customers, there may be a significant decrease in our revenue, and our operations and financial results would hence be adversely affected.

Equity price risks

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counter the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

Report of the Directors

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a responsible corporation, the Group plays an important role in protecting our environment and is committed to minimise our impact on the environment and natural resources. The Group adheres to the principle of recycling and reducing.

The Group encourages and educates staff to save energy and reduce of paper use. It also encourages environmental practices such as utilising emails for internal and external communication, setting up recycling bins, adopting e-filing in server, double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off lightings and electrical appliances when they are not in use.

The Company will adopt effective environmental protection by introducing e-communication with our shareholders and non-registered holders. The Company encourages investors to read the Company's corporate communication published on the websites of the Company and the Stock Exchange so as to reduce paper consumption.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements. The Group is committed to safeguard the Shareholders' rights and to enhance corporate governance standard by establishing the audit committee ("Audit Committee"), nomination committee ("Nomination Committee") and remuneration committee ("Remuneration Committee") of the Board.

For the year ended 31 March 2019, the Group has complied, to the best of our knowledge, with all relevant rules and regulations that have a significant impact on the Company.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Board recognises that our employees are one of the greatest assets contributing to the Group's future success. The Group strives to motivate its employees with competitive remuneration package and opportunities for advancement and improvement of their skills to attract and retain our employees. The Board reviews the remuneration package of our employees annually and makes necessary adjustments to conform to the prevailing market practices. The Group also adopted share options scheme to reward the contribution of the employees as an incentive.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

Report of the Directors

The Group is in a good relationship with its customers and suppliers. As far as the Board is aware, the Company did not receive any complaint from customers and suppliers.

The Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

PROSPECTS

Please refer to the Director's Statement on page 3.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS:

Ms. SUN Wei
Ms. MAN Qiaozhen

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. LIU Kwong Sang
Ms. WANG Miaojun
Ms. WANG Yuijie

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

According to article 84(1) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

According to article 84(2) of the Articles of Association, a retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

In compliance with articles 84(1) and 84(2) of Articles of Association, Mr. LIU Kwong Sang and Ms. WANG Miaojun will retire by rotation and being eligible, have agreed to offer themselves for re-election at the forthcoming annual general meeting.

Please refer to "Corporate Governance Report – The Board of Directors" for reasons of resignation or retirement of the Directors.

Report of the Directors

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 25 to 26 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the consolidated financial statements, no Director nor their connected entities had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTOR'S PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors or other office of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which they or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, in their respective offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended 31 March 2019, and such coverage remained in full force as of the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group throughout the year ended 31 March 2019.

EMOLUMENTS OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to notes 11 and 12 to the consolidated financial statements for details of the emoluments of the Directors, senior management and the five highest paid individuals of the Company.

RETIREMENT BENEFIT

Details of the retirement benefit of the Group are set out in note 38 to the consolidated financial statements.

Report of the Directors

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, 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 year ended 31 March 2019, 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' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2019, 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

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 year ended 31 March 2019.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31 March 2019, the Company has not appointed the Chairman and thus there has been no segregation of duties during the year.

Report of the Directors

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.

As to the deviation from code provisions A.2.1 and A.4.1 of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly. For deviation from code provision A.6.7 of the CG Code, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future.

MAJOR EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material events after the year under review.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by Elite Partners CPA Limited whose term of office will be expired upon the forthcoming annual general meeting. A resolution for the re-appointment of Elite Partners CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

SUN Wei
Executive Director

Hong Kong, 28 June 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the code provisions as set out in the CG Code. The Board believes that throughout the year ended 31 March 2019, the Company complied with the applicable code provisions set out in the CG Code, except for the deviation from code provisions A.2.1 regarding the segregation of the roles of chairman and chief executive, A.4.1 regarding the terms of appointment of non-executive directors and A.6.7 regarding the attendance of independent non-executive Directors in the annual general meeting.

The Board continues to monitor and review the Company's corporate governance practices and makes necessary changes at the appropriate time.

THE BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promotion the success of the Company by directing and supervising its affairs. All Directors should take decisions objectively in the interests of the Company.

The Board takes the responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies, internal control and risk management systems, environmental, social and governance issues, appointment and retirement of Directors and other significant financial and operational matters.

The executive Directors are responsible for overseeing the day-to-day management of the Company's operations and implementation of the strategies set by the Board.

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgement. The Board currently comprises five Directors, including two executive Directors and three independent non-executive Directors. The names and biographical details of each Director are disclosed on pages 25 to 26 of this annual report. There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

During the year ended 31 March 2019, the Company has not appointed a Chairman and thus there has been no segregation of duties during the year.

During the year ended 31 March 2019, the Board met the requirements of the Listing Rules in relation to the appointment of at least three (3) independent non-executive Directors with at least one (1) independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors are independent.

Corporate Governance Report

Currently, all independent non-executive Directors are appointed for no fixed term. Each of the independent non-executive Directors is subject to retirement by rotation or re-election in accordance with the Articles of Association. Regular Board meetings are held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year, 4 Board meetings were held and the attendance of individual Directors was as follows:

Name of directors	Attendance
Ms. SUN Wei	4/4
Ms. MAN Qiaozhen	4/4
Mr. LIU Kwong Sang	4/4
Ms. WANG Miaojun	4/4
Ms. WANG Yujie	4/4

BOARD COMMITTEES

In order to strengthen the functions of the Board and to oversee particular aspects of the Company's affairs, three committees have been established, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee. These committees are established with defined written terms of reference.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee. As at the date of this annual report, the Remuneration Committee comprises one executive Director, Ms. SUN Wei and three independent non-executive Directors, namely, Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yuijie. Mr. LIU Kwong Sang is the Chairman of the Remuneration Committee. The primary objective for setting up the Remuneration Committee is to comply with the code provisions as set out in the CG Code. Its responsibilities are to review and consider the Group's policy for remuneration of Directors and senior management, to recommend to the Board the remuneration packages of each of the executive Directors, independent non-executive Directors and the senior management.

The Remuneration Committee held 1 meeting during the year. Details of individual attendance of its members are set out below:

Name of members	Attendance
Mr. LIU Kwong Sang	1/1
Ms. SUN Wei	1/1
Ms. WANG Miaojun	1/1
Ms. WANG Yujie	1/1

During the year, the remuneration committee had reviewed and considered, inter alia, the remuneration policy of the Company and the remuneration of the Directors and senior management.

Corporate Governance Report

AUDIT COMMITTEE

During the year ended 31 March 2019, 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 process 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 auditor, to recommend the appointment of external auditor 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 consolidated 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 held 3 meetings during the year. Details of individual attendance of its members are set out below:

Name of members	Attendance
Mr. LIU Kwong Sang	3/3
Ms. WANG Miaojun	2/3
Ms. WANG Yujie	3/3

During the year, the Audit Committee had reviewed and considered, inter alia, the annual results for the year ended 31 March 2018 and the interim results for the six months ended 30 September 2018. The annual report 2019 has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Company has established the Nomination Committee and adopted written terms of reference in April 2012, and currently consists of four members, including Ms. WANG Miaojun (Chairperson), Ms. SUN Wei, Mr. LIU Kwong Sang and Ms. WANG Yujie, a majority of whom are independent non-executive Directors.

The principal duties of the Nomination Committee include, among other things, (i) to review Board composition structure, size and diversity (including but not limited to gender, age, culture and educational background) at least annually; (ii) to make recommendations to the Board on the appointment and re-appointment of Directors; and (iii) to assess the independence of independent non-executive Directors.

During the year, 1 meeting of Nomination Committee were held with attendance of individual member is as follows:

Name of members	Attendance
Ms. WANG Miaojun	1/1
Ms. SUN Wei	1/1
Mr. LIU Kwong Sang	1/1
Ms. WANG Yujie	1/1

Nomination of Directors

The Nomination Committee is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision and the re-election, and where necessary, nominating appropriate persons to fill casual vacancies or as additions to the Board. The Nomination Committee from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management. It also identified and nominates qualified individuals for appointment as new Directors.

New Directors will be appointed by the Board. The Nomination Committee will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointments.

Board Nomination Policy

The Company adopted a nomination policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilizes various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Corporate Governance Report

Board Diversity Policy

The composition of the Board is reviewed on an annual basis by the Nomination Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Company adopted its own board diversity policy and recognises the benefits of having diversity in the composition of the Board.

The Company noted that that people from different background and with different professional and life experience are likely to approach problems in different ways and accordingly, members of the Board with diverse background will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against the selection criteria, having regard for the benefits of diversity on the Board, the business model and specific needs of the Group. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Composition of the Diversified Board

As at the date of this annual report, the Board comprises five Directors, one of which is a male. The following table further illustrate the composition and diversity of the Board in terms of gender, age and length of service with the Group, educational background and professional experience as of the date of this annual report:

	Age Group		Length of Service	
Name of Director	**30 to 39**	**50 to 59**	**less than 5 years**	**more than 5 years**
Ms. SUN Wei	✓			✓
Ms. MAN Qiaozhen	✓		✓	
Mr. LIU Kwong Sang		✓		✓
Ms. WANG Miaojun	✓			✓
Ms. WANG Yujie	✓		✓	

	Educational Background			Professional Experience			
Name of Director	**Finance**	**Accountancy**	**Others**	**Accounting**	**Management**	**Media**	**Others**
Ms. SUN Wei	✓			✓	✓		
Ms. MAN Qiaozhen	✓					✓	
Mr. LIU Kwong Sang		✓	✓	✓	✓		
Ms. WANG Miaojun			✓		✓	✓	
Ms. WANG Yujie			✓				✓

DIRECTORS' TRAINING

As part of an ongoing process of directors' training, the Directors are updated with the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance of the same by all Directors. All Directors are encouraged to attend external forum or training courses on relevant topics which may count towards continuous professional development training.

Pursuant of code provision A.6.5 of CG Code, which has come to into effect from 1 April 2012, all Directors should participate in continuous professional development ("CPD") to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this annual report, the Directors have participated in appropriate continuous professional development activities by attending training course on the topics related to corporate governance and regulations or by reading materials relevant to the Company's business or to their duties and responsibilities. This is in addition to Directors' attendance at meetings and review of papers and circulars sent by management.

The participation by individual Directors in the program during the year was recorded in the table below:

	Type of CPD programmes
EXECUTIVE DIRECTORS	
Ms. SUN Wei	B
Ms. MAN Qiaozhen	B
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. LIU Kwong Sang	A, B
Ms. WANG Miaojun	A, B
Ms. WANG Yujie	B

Notes:

A: attending seminars/forums/workshops/conferences relating to corporate governance and regulations
B: reading materials relevant to the Company's business or to directors' duties and responsibilities

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group 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 ended 31 March 2019.

AUDITOR'S REMUNERATION

The Audit Committee reviews each year with the external auditor of the Company with regards its independence, approves its appointment, discusses the scope of its audit, approves its fees, and the scope and appropriate fees for any non-audit services requested to be provided by it. During the year, the fees paid to the Company's auditor in respect of audit services and non-audit services amounted to HK$730,000 and HK$8,000 respectively.

Corporate Governance Report

The consolidated financial statements for the year were audited by Elite Partners CPA Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Elite Partners CPA Limited be nominated for re-appointment as the auditor of the Company at the forthcoming annual general meeting.

DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for the preparation of the consolidated financial statements of the Group and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements. The statement of the external auditor of the Group, Elite Partners CPA Limited, with regard to their reporting responsibilities on the Group's consolidated financial statements is set out in the Independent Auditor's Report on pages 27 to 31.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Company's risk management and internal control systems. The Company has established risk management and internal control systems and the Board will conduct review on the effectiveness of the system at least annually and report the result of the review to the shareholders.

The Group has engaged an independent internal control review advisor (the "Internal Control Advisor") to conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covered major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. During the risk assessment process, the Internal Control Advisor interviewed the relevant personnel and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on ongoing basis.

COMPANY SECRETARY

Mr. LI Wing Sum Steven ("Mr. Li") has been appointed as the company secretary of the Company ("Company Secretary") on 9 May 2014. His primary corporate contact person at the Company is Ms. SUN Wei, an executive Director. Mr. Li has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 March 2019.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The right and procedures to convene a general meeting and to demand a poll on resolutions at general meetings by the Shareholders are set out in the amended and restated Articles of Association headed "General Meetings", "Notice of General Meetings", "Proceedings At General Meetings" and "Voting". Shareholders may at any time send their enquiries to the Board by addressing them to the Company Secretary by post at the principal place of business of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has a shareholders communication policy to set out the Company's procedures in providing Shareholders and investors in respect of the information about the Company.

The Company uses various communication methods to ensure its shareholders are kept well informed. These include publication of annual report, various notices, announcements and circulars. The Shareholders' meeting also provides a useful channel for Shareholders to communicate directly with the Board at which the Directors are available to answer questions relating to the Company's affairs. The right to demand voting by poll is communicated to the Shareholders by way of circulars. Resolutions are proposed at each Shareholders' meeting on each substantially separate issue, include the election of individual Director.

Certain independent non-executive Directors, for the time when general meetings were held, had other business engagements and thus, were not able to attend the annual general meeting held during the year ended 31 March 2019. In this regard, the Company Secretary had reminded the relevant independent non-executive Directors as well as the current independent non-executive Directors to attend general meetings of the Company in future, for compliance of rule A.6.7 as set out in the CG Code.

Participation of individual Directors at the annual general meeting held during the year ended 31 March 2019 is as follows:

	Participation
EXECUTIVE DIRECTORS	
Ms. SUN Wei	1
Ms. MAN Qiaozhen	0
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Mr. LIU Kwong Sang	1
Ms. WANG Miaojun	0
Ms. WANG Yujie	1

DIVIDEND POLICY

The Company adopted a policy on payment of dividends (the "Dividend Policy") in March 2019, which establishes an appropriate procedure on declaring and recommending the dividend payment of the Company.

The Company will declare and/or recommend the payment of dividends to the Shareholders after considering the Company's ability to pay dividends, which will depend on a number of factors, including but not limited to:

(i) the Group's actual and expected financial performance;

(ii) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(iii) retained earnings and distributable reserves of the Company and each of the members of the Group;

(iv) the Group's liquidity position;

(v) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(vi) any other factors that the Board deems relevant.

The Board has complete discretion on whether to pay a dividend, subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors of and affecting the Group. The Board may also consider declaring interim dividends from time to time.

The Company shall review and reassess the Dividend Policy and its effectiveness on a regular basis or as required.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. SUN Wei ("Ms. Sun"), aged 35, was appointed to the Board in February 2014 as an executive Director, and was appointed as a member of the remuneration committee and nomination committee of the Board in November 2014. She also serves as a director of certain subsidiaries of the Company. Ms. Sun holds a Bachelor of Arts in English Education degree from Shanghai International Studies University, PRC, a Master of Science degree in Finance from Clark University, United States of America and a Postgraduate Certificate in Professional Accounting from City University of Hong Kong. Ms. Sun has over five years of experience in accounting and administration.

Ms. MAN Qiaozhen ("Ms. Man"), aged 33, was appointed to the Board in March 2018 as an executive Director. Ms. Man graduated with a bachelor's degree in Finance from Shenyang Normal University（沈陽師範大學）in July 2008. Ms. Man has over six years of experience in banking industry. She served positions as deputy general manager of private banking section, senior account manager and account manager (private banking) in a number of banks in the PRC. Ms. Man also has years of experience in media industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Kwong Sang ("Mr. Liu"), aged 57, was appointed to the Board in September 2004 as an independent non-executive Director, and the Chairperson of the audit committee of the Board. He was also appointed as the Chairperson of remuneration committee of the Board in 2004, and a member of the nomination committee of the Board in 2012. Mr. Liu has been practising as a certified public accountant in Hong Kong with more than 27 years of experience in accounting profession. Mr. Liu graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained the Master degree in Business Administration from the University of Lincoln, the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants, the United Kingdom and a fellow member of the Institute of Public Accountants, Melbourne, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong, a Certified Tax Adviser and a fellow member of the Society of Registered Financial Planners. Mr. Liu acts as independent non-executive director of Polytec Asset Holdings Limited and Pine Care Group Limited, securities of which are listed on the main board of the Stock Exchange, and of abc Multiactive Limited, whose securities are listed on the GEM of the Stock Exchange. Since April 2019, Mr. Liu has been appointed as the independent non-executive director of ATIF Holdings Limited (ticker symbol: ATIF) whose shares are listed on the United States Nasdaq Stock Market. He was independent non-executive director of Evershine Group Holdings Limited, whose securities are listed on the GEM of the Stock Exchange, for the period from January 2014 to December 2016.

Biographical Details of Directors

Ms. WANG Miaojun ("Ms. Wang"), aged 38, was appointed to the Board in February 2014 as an independent non-executive Director, and the Chairperson of the nomination committee, and a member of the audit committee and remuneration committee of the Board. Ms. Wang holds a bachelor degree in Electronics and Information Engineering from Shenzhen University. Ms. Wang has over 10 years of experience in IT and media industry. Ms. Wang is currently a general manager of the online media department and a director in an online media company. Ms. Wang had extensive experience in operation and management and had held management roles in electronics, IT and media companies and had an established network of relationship within IT industry in the PRC.

Ms. WANG Yujie ("Yujie"), aged 34, was appointed to the Board in July 2016 as an independent non-executive Director, and a member of the nomination committee, audit committee and remuneration committee of the Board. She was graduated from 首都經濟貿易大學華僑學院 (Overseas Chinese College, Capital University of Economics and Business), formerly known as 燕京華僑大學 (Yanjing Overseas Chinese University*) with a bachelor's degree in Foreign Trade English from the Department of Foreign Languages in July 2008. Yujie has years of experience working in bidding maintenance department of a Chinese search engine company.

* *For identification purpose only*

Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

To the members of
CHINA NATIONAL CULTURE GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China National Culture Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 32 to 103, which comprise the consolidated statements of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was address in our audit
Impairment assessment of intangible assets and goodwill	
We identified the impairment of goodwill and intangible assets as a key audit matter due to the significance to the consolidated financial statements as a whole and significant judgement involved in the management's assessment process. As disclosed in notes 18 and 17 to the consolidated financial statements, the carrying value of goodwill and intangible assets as at 31 March 2019 were HK$17,715,000 and HK$180,461,000 respectively. In estimating the recoverable amount of the cash generating units to which goodwill and intangible assets have been allocated, the management has made a number of key assumptions in the value in use calculation. The key assumptions include growth rates, discount rates applied and the forecast performance based on management's view of future business prospects.	Our procedures in relation to the impairment of goodwill and intangible assets included: • Evaluating the independent external valuer's competence, capabilities and objectivity; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; • Evaluating the historical accuracy and the growth rate of the financial budget used in the discounted cash flows by comparing the historical budget to actual results; • Testing a selection of data inputs underpinning the cash flow forecasts against appropriate supporting evidence, such as approved budgets, to assess the accuracy and reliability; • Assessing the sensitivity analysis prepared by management on the significant assumptions to evaluate the extent of impact on the discounted cash flows; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the Directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Company.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yip Kai Yin with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road,
Tsim Sha Tsui, Kowloon, Hong Kong

28 June 2019

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	9	**89,876**	101,155
Cost of sales		**(68,805)**	(79,714)
Gross profit		**21,071**	21,441
Other revenue	9	**46**	1
Administrative expenses		**(30,044)**	(30,881)
Other gains or losses	9	**(66,420)**	(397,928)
Loss before taxation	10	**(75,347)**	(407,367)
Taxation	13	**9,443**	48,694
Loss for the year attributable to the owners of the Company		**(65,904)**	(358,673)
Loss per share			
– Basic and diluted (HK cents)	15	**(0.67)**	(3.65)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(65,904)**	(358,673)
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(15,207)**	24,475
Fair value loss on available-for-sale investments	**–**	(9,678)
Reclassification adjustment upon impairment of available-for-sale investments	**–**	7,771
Reclassification adjustment upon disposal of available-for-sale investments	**–**	(7,228)
Items that will not be reclassified to profit or loss:		
Fair value loss on investment in equity instruments at fair value through other comprehensive income ("FVTOCI")	**(3,004)**	–
Other comprehensive (expense)/income for the year, net of income tax	**(18,211)**	15,340
Total comprehensive expense for the year attributable to the owners of the Company	**(84,115)**	(343,333)

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	**2019 HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**50**	138
Intangible assets	17	**180,461**	240,175
Goodwill	18	**17,715**	43,805
Equity instruments at FVTOCI	20	**11,703**	–
Available-for-sale investments	20	**–**	18,122
Prepayments for acquisition of film rights	21	**2,750**	2,750
		212,679	304,990
Current assets			
Financial assets held for trading	22	**14,412**	19,613
Accounts receivable	24	**58,040**	37,820
Prepayments, deposits and other receivables	25	**30,160**	24,249
Tax receivables		**1,026**	1,026
Cash and cash equivalents	26	**10,475**	12,032
		114,113	94,740
Total assets		**326,792**	399,730
EQUITY			
Capital and reserves			
Share capital	31	**196,288**	196,288
Reserves	34	**22,148**	96,391
Total equity		**218,436**	292,679

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
LIABILITIES			
Current liabilities			
Accounts payable	27	**22,763**	12,285
Other payables and accruals	28	**27,104**	22,903
Provision	29	**3,547**	3,547
Tax payables		**6,280**	4,887
Deferred income		**–**	3,385
Contract liabilities		**3,546**	–
		63,240	47,007
Non-current liabilities			
Deferred tax liabilities	30	**45,116**	60,044
Total liabilities		**108,356**	107,051
Total equity and liabilities		**326,792**	399,730
Net current assets		**50,873**	47,733
Total asset less current liabilities		**263,552**	352,723
Net assets		**218,436**	292,679

The consolidated financial statements on pages 32 to 103 were approved and authorised for issue by the board of directors on 28 June 2019 and signed on its behalf by:

SUN Wei
Director

MAN Qiaozhen
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company						
	Share capital HK$'000	Shares premium HK$'000	Share options reserve HK$'000	Exchange translation reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2017	196,288	1,233,312	–	(18,867)	9,135	(787,507)	632,361
Loss for the year	–	–	–	–	–	(358,673)	(358,673)
Other comprehensive income/ (expenses) for the year:							
Exchange difference on translating foreign operations	–	–	–	24,475	–	–	24,475
Fair value loss on available-for-sale investments	–	–	–	–	(9,678)	–	(9,678)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	–	7,771	–	7,771
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	–	(7,228)	–	(7,228)
Total comprehensive expenses for the year	–	–	–	24,475	(9,135)	(358,673)	(343,333)
Recognitions of equity-settled share-based payments	–	–	3,651	–	–	–	3,651
At 31 March 2018	196,288	1,233,312	3,651	5,608	–	(1,146,180)	292,679
Adjustment arising from initial application of HKFRS 9	–	–	–	–	(47,288)	57,160	9,872
At 1 April 2018, restated	196,288	1,233,312	3,651	5,608	(47,288)	(1,089,020)	302,551
Loss for the year	–	–	–	–	–	(65,904)	(65,904)
Other comprehensive expenses for the year:							
Exchange difference on translating foreign operations	–	–	–	(15,207)	–	–	(15,207)
Fair value loss on investments in equity instruments at FVTOCI	–	–	–	–	(3,004)	–	(3,004)
Total comprehensive expenses for the year	–	–	–	(15,207)	(3,004)	(65,904)	(84,115)
At 31 March 2019	**196,288**	**1,233,312**	**3,651**	**(9,599)**	**(50,292)**	**(1,154,924)**	**218,436**

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Loss before taxation	**(75,347)**	(407,367)
Adjustments for:		
Interest income	**(46)**	–
Depreciation	**88**	92
Amortisation	**7,130**	7,187
Net realised loss on disposal of financial assets held for trading	**510**	290,750
Net realised loss on disposal of available-for-sale investments	**–**	13,777
Impairment loss in respect of intangible assets	**37,236**	–
Impairment loss in respect of available-for-sales investments	**–**	7,771
Net unrealised loss on financial assets held for trading	**5,252**	10,302
Impairment loss in respect of goodwill	**23,294**	59,791
Impairment loss in respect of accounts receivable	**107**	11,503
Impairment loss in respect of other receivables	**–**	4,146
Equity-settled share based payments	**–**	3,651
Operating cash flows before working capital changes	**(1,776)**	1,603
Decrease in prepayment for film rights	**–**	26,250
(Increase)/decrease in financial assets held for trading	**(561)**	34,551
Increase in accounts receivables	**(10,455)**	(4,856)
Increase in prepayments, deposits and other receivables	**(5,911)**	(11,073)
Increase/(decrease) in accounts payables	**10,478**	(22,399)
Increase in other payables and accruals	**4,201**	13,738
(Decrease)/increase in deferred income	**(376)**	3,054
Cash (used in)/generated from operations	**(4,400)**	40,868
Interest received	**46**	–
Tax paid	**–**	(1,361)
Net cash (used in)/generated from operating activities	**(4,354)**	39,507
Cash flows from investing activities		
Proceeds from investment in equity instruments at FVTOCI	**3,415**	–
Purchase of available-for-sale investments	**–**	(2,799)
Proceeds from disposal of available-for-sale investments	**–**	1,254
Payments of consideration payable for acquisition of subsidiaries in prior years	**–**	(115,000)
Net cash generated from/(used in) investing activities	**3,415**	(116,545)
Net decrease in cash and cash equivalents	**(939)**	(77,038)
Cash and cash equivalents at the beginning of the year	**12,032**	88,992
Effect of foreign exchange rate changes, net	**(618)**	78
Cash and cash equivalents at the end of year	**10,475**	12,032
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**10,475**	12,032

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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 principal activities of the Company and its subsidiaries (the "Group") are 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")

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- provision of advertising and value-added services
- trading and production of films and provision of other film related services
- sale of products over the internet

There was no material impact of transition to HKFRS 15 on retained earnings at 1 April 2018.

Summary of effects arising from initial application of HKFRS 15

The directors of the Company considered that the initial application of HKFRS 15 has no material impact on opening accumulated losses of the Group or the timing and amount of revenue recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

Summary of effects arising from initial application of HKFRS 15 *(Continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	HK$'000	HK$'000	HK$'000
Current Liabilities			
Deferred income	3,385	(3,385)	–
Contract liabilities	–	3,385	3,385

Note:

As at 1 April 2018, receipts in advance from customers of HK$3,385,000 in respect of provision of advertising and value-added services previously included in deferred income were reclassified to contract liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1.1 HKFRS 15 Revenue from Contracts with Customers *(Continued)*

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Liabilities			
Deferred income	–	3,546	3,546
Contract liabilities	3,546	(3,546)	–

Note:

As at 31 March 2019, receipt in advances from customers of HK$3,546,000 in respect of provision of advertising and value-added services would be adjusted from contract liabilities to deferred revenue without application of HKFRS 15.

2.1.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and loan commitment and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1.2 HKFRS 9 Financial Instruments *(Continued)*

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

	Note	Available-for-sale investment HK$'000	Equity instruments at FVTOCI HK$'000	Accounts receivable HK$'000	Investments revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2018 – HKAS 39		18,122	–	37,820	–	(1,146,180)
Reclassification from available-for-sale	(a)	(18,122)	18,122	–	(47,288)	47,288
Remeasurement of impairment under ECL model	(d)	–	–	9,872	–	9,872
Opening balance at 1 April 2018		–	18,122	47,692	(47,288)	(1,089,020)

Notes:

(a) The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$18,122,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$nil related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses of HK$26,540,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 April 2018. The fair value losses of HK$20,748,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve. In addition, impairment losses previously recognised of HK$47,288,000 were transferred from accumulated losses to FVTOCI reserve as at 1 April 2018.

(b) All financial assets held for trading were measured on the same bases that were measured under HKAS 39.

(c) All other financial assets and financial liabilities were measured on the same bases that were measured under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1.2 HKFRS 9 Financial Instruments *(Continued)*

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Notes: *(Continued)*

(d) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivable arising from contracts with customers under HKFRS 15. Except for those which had been determined as credit impaired, accounts receivable (except for secured margin loans) are grouped based on past due analysis.

Except for those which had been determined as credit impaired, ECL for other financial assets at amortised cost and loan commitment, including secured margin loans, bank balances, loans receivable, deposits and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition, except for certain secured margin loans which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 April 2018, the reversal of credit loss allowance of HK$9,872,000 has been recognised against accumulated losses. The reversal of loss allowance is mainly charged against accounts receivable while the impact to other financial assets is not significant. All loss allowances for financial assets as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Accounts receivable – Loss allowance HK$'000
Loss allowance at 31 March 2018 under HKAS 39	11,732
Amounts remeasured through opening accumulated losses	(9,872)
Loss allowance at 1 April 2018 under HKFRS 9	1,860

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), which collective term includes all applicable individual Hong Kong Financial Reporting Standard ("HKFRS"), Hong Kong Accounting Standard ("HKAS") and Interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rule") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets held for trading and available-for-sale investments which are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group and its subsidiaries. Control is achieved when the Group:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger that an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash generated unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 are set out in note 5.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a standalone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(i) advertising income, on a straight-line basis over the period during the advertisement is displayed;

(ii) on-line advertising and media related service income is recognised when the service is rendered;

(iii) interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(iv) movie production and related income is recognised when the service is rendered;

(v) membership fee is recognised on a time proportion basis; and

(vi) sales of products over the internet are recognised when the products are delivered and title has passed.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over a subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss)/profit before taxation' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxation profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable futures.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follow:

Leasehold improvement	Over the terms of lease or 3 years, whichever is shorter
Furniture, fixtures and equipment	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Film rights

Prepayment under film cooperation agreements are transferred to film rights upon completion of production of the related films.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate of the amount can be made of the amount of the obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains or losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

***Financial assets** (Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, deposits and other receivables, cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for secured margin loans where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, loans receivable, deposits and other receivables and bank balances are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL *(Continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instrument that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

(i) Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 5.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL. The Group designated certain listed equity securities in Hong Kong as AFS financial assets on initial recognition of those items.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, other receivables and deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days to its contract customers and 180 days for advertising customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of and entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including accounts payable, consideration payable, other payables and accruals, are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contingent assets and liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Segment information

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services and the methods used to distribute the products or provide the services. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third entity;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant voting power in the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTOCI	**11,703**	–
Available-for-sale investments	**–**	18,122
Financial assets at FVTPL	**14,412**	19,613
Amortised cost	**97,210**	–
Loans and receivables (including cash and cash equivalents)	**–**	64,062
	123,325	101,797
Financial liabilities		
Amortised cost	**49,867**	35,188

b. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and other equity price risk), credit risk and liquidity risk. The Group's and overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no major hedging activities are undertaken by management.

Market risk

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

4. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group did not expose to significant fair value interest rate risk as the Group did not have any interest-bearing borrowings at fixed rates. The Group did not enter into interest rate swap to hedge against its exposures to interest rate risk.

Sensitivity analysis

The directors consider that the Group's exposure to interest rate risk of bank balances, which are short term in nature, is insignificant, accordingly no sensitivity analysis is presented.

(iii) Other equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in 3 (2018: 3) industry sector quoted in the Stock Exchange of Hong Kong Limited. In addition, the Group monitors the price risk closely and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments classified as FVTOCI (2018: available-for-sale investments) and financial assets held for trading had been 5% (2018: 5%) higher/lower:

Post-tax loss for the year ended 31 March 2019 would decrease/increase by HK$721,000 (2018: HK$981,000) as a result of the change in fair value of financial assets held for trading; and

Investment revaluation reserve would increase/decrease by HK$585,000 (2018: HK$906,000) for the Group as a result of the change in fair value of financial assets at FVTOCI (2018: available-for-sale investments).

The Group's sensitivity to equity instruments at FVTOCI (2018: available-for-sale investments) and financial assets held for trading has not changed significantly from the prior year.

4. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the Group can be required to pay, are within one year or on demand (2018: within one year or on demand).

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 March 2019

The following table illustrate the fair value measurement hierarchy of the Group's financial instruments:

At 31 March 2019

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Equity instruments at FVTOCI	**11,703**	–	–	**11,703**
Financial assets held for trading	**14,412**	–	–	**14,412**
	26,115	–	–	**26,115**

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

***Fair value hierarchy as at 31 March 2019** (Continued)*

At 31 March 2018

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Available-for-sales investments	18,122	–	–	18,122
Financial assets held for trading	19,613	–	–	19,613
	37,735	–	–	37,735

There were no transfers between Level 1 and 2 during the year.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost and recognised in the consolidated statements approximate their fair values.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of equity attributable to owners of the Company. The ratio is calculated based on total debt and total assets of the Group. The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issuance of new shares as well as the addition of new borrowings.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratios at 31 March 2019 and 31 March 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Debt	**–**	–
Assets	**326,792**	399,730
Gearing ratio	**0%**	0%

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Income taxes

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Provision of ECL for trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balances or credit impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. Debtors with significant outstanding balances and credit impaired were assessed individually.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Provision of ECL for trade receivables (Continued)

The provision rates are based on past due status as groupings of various debtors that have similar loss patterns. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates of timing and amount of cash flows expected to be collected. The information about the ECL of the Group's trade receivables is disclosed in Note 24.

(c) Impairment for goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill as at 31 March 2018 was approximately HK$43,805,000 (2017: HK$98,099,000). Details of the impairment loss calculation are disclosed in Note 19.

8. 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 segment – trading and production 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:

	Revenue		Result	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**56,542**	37,476	**20,904**	16,401
Movie	**–**	29,900	**–**	900
E-commerce	**33,334**	33,779	**167**	4,140
	89,876	101,155	**21,071**	21,441
Other revenue and unallocated gains			**46**	1
Corporate and other unallocated expenses			**(96,464)**	(428,809)
Loss before taxation			**(75,347)**	(407,367)
Taxation			**9,443**	48,694
Loss for the year			**(65,904)**	(358,673)

There were no inter-segment sales during the year (2018: 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.

8. SEGMENT INFORMATION *(Continued)*

Geographical information

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:

	Revenue from external customers		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**20,189**	33,779	**2,800**	2,888
The PRC	**69,687**	53,876	**198,176**	283,980
Malaysia	**–**	13,500	**–**	–
	89,876	101,155	**200,976**	286,868

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

The following other segment information included in reports provided regularly to CODM, but not included in segment result.

For the year ended 31 March 2019

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	48	–	40	–	88
Amortisation	7,130	–	–	–	7,130
Impairment loss in respect of intangible assets	37,236	–	–	–	37,236
Impairment loss in respect of goodwill	23,294	–	–	–	23,294

8. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2018

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	52	–	40	–	92
Amortisation	7,187	–	–	–	7,187
Impairment loss in respect of goodwill	59,791	–	–	–	59,791

Revenue from its major services

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

	2019 HK$'000	2018 HK$'000
Advertising	**56,542**	37,476
E-commerce	**33,334**	33,779
Movie	**–**	29,900
	89,876	101,155

Information about major customers

Revenue from customers of the years ended 31 March 2019 and 2018 contributing over 10% of the total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A–E-commerce	***N/A**	32,785
Customer B–E-commerce	**16,061**	*N/A
Customer C–E-commerce	**13,145**	*N/A
Customer D–Movie	**–**	16,500

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2019 and 2018.

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

9. REVENUE, OTHER REVENUE AND OTHER GAINS OR LOSSES

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

	2019 HK$'000	2018 HK$'000
Revenue:		
Advertising	**56,542**	37,476
E-commerce	**33,334**	33,779
Movie production and related income	**–**	29,900
	89,876	101,155
Other revenue:		
Sundry income	**46**	1
Other gains or losses:		
Net unrealised loss on financial assets held for trading	**(5,252)**	(10,302)
Net realised loss on disposal of financial assets held for trading	**(510)**	(290,750)
Net realised loss on disposal of available-for-sale investments	**–**	(13,777)
Exchange (loss)/gain	**(21)**	112
Impairment loss in respect of		
– goodwill	**(23,294)**	(59,791)
– accounts receivable	**(107)**	(11,503)
– other receivable	**–**	(4,146)
– available-for-sale investments	**–**	(7,771)
– intangible assets	**(37,236)**	–
	(66,420)	(397,928)

10. LOSS BEFORE TAXATION

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

	2019 HK$'000	2018 HK$'000
Auditors' remuneration	**730**	680
Depreciation	**88**	92
Amortisation	**7,130**	7,187
Staff costs (excluding directors' remuneration)		
– wages and salaries	**2,039**	1,282
– share option expenses	**–**	1,001
	2,039	2,283
Minimum lease payments under operating leases:		
– land and building	**408**	356

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors were as follows:

	Fees		Salaries and other benefits		Pension scheme contributions		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive Directors								
Ms. Sun Wei	**–**	–	**240**	240	**8**	–	**248**	240
Mr. Yan Zhilei (retired on 31 August 2017)	**–**	–	**–**	100	**–**	–	**–**	100
Ms. Man Qiaozhen (appointed on 16 March 2018)	**–**	–	**180**	8	**6**	–	**186**	8
	–	–	**420**	348	**14**	–	**434**	348
Independent Non-Executive Directors								
Mr. Liu Kwong Sang	**120**	120	**–**	–	**–**	–	**120**	120
Ms. Wang Miaojun	**120**	120	**–**	–	**–**	–	**120**	120
Ms. Wang Yujie	**96**	96	**–**	–	**–**	–	**96**	96
	336	336	**–**	–	**–**	–	**336**	336
	336	336	**420**	348	**14**	–	**770**	684

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2018: four) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining one (2018: one) individual was as follows:

	2019 HK$'000	2018 HK$'000
Wages and salaries	**120**	120
Pension scheme contributions	**–**	–
Share option expenses	**–**	1,001
	120	1,121

The emolument of one (2017: one) individual with the highest emolument is within the following band:

	Number of individuals	
	2019	2018
HK$1,000,001 to HK$1,500,000	**–**	1
Nil – HK$1,000,000	**1**	–

13. TAXATION

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 2018 and 2019. 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.

13. TAXATION *(Continued)*

	2019 HK$'000	2018 HK$'000
Current tax		
Provision for the year		
– PRC enterprise income tax	**1,648**	1,625
Over provision in prior years		
– Hong Kong profits tax	**–**	–
	1,648	1,625
Deferred tax		
– Original and reversal of temporary difference	**(11,091)**	(50,319)
	(9,443)	(48,694)

A reconciliation of the tax expense applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries, are domiciled to the tax expense at the effective tax rates, and a reconciliation of tax at the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation	(5,416)		(69,931)		(75,347)	
Tax at applicable tax rate	(894)	16.5	(17,483)	25	(18,377)	24.4
Tax effect of expenses not deductible of tax purpose	–	–	15,132	(21.6)	15,132	(20.1)
Tax effect of tax losses not recognised	1,746	(32.2)	–	–	1,746	(2.3)
Tax effect of deductible temporary difference not recognised	(10,161)	187.6	2,217	(3.2)	(7,944)	10.5
Tax credit at the Group's effective rate	(9,309)	171.9	(134)	0.2	(9,443)	12.5

13. TAXATION *(Continued)*

	2018					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation	(378,488)		(28,879)		(407,367)	
Tax at applicable tax rate	(62,450)	16.5	(7,220)	25.0	(69,670)	17.1
Tax effect of expenses not deductible of tax purpose	9,464	(2.5)	7,048	(24.4)	16,512	(4.1)
Tax effect of tax losses not recognised	53,554	(14.1)	–	–	53,554	(13.1)
Tax effect of deductible temporary difference not recognised	(49,090)	13.0	–	–	(49,090)	12.1
Tax credit at the Group's effective rate	(48,522)	12.9	(172)	0.6	(48,694)	12.0

14. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2019 (2018: Nil).

15. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2019	2018
	HK$'000	HK$'000
Loss		
Loss for the year and attributable to the owners of the Company	**(65,904)**	(358,673)

	2019	2018
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**9,814,410**	9,814,410

The computation of diluted loss per share for the years ended 31 March 2018 and 2019 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Cost:			
At 1 April 2017, 31 March 2018, at 1 April 2018 and 31 March 2019	13	441	454
Accumulated depreciation and impairment			
At 1 April 2017	10	214	224
Provided for the year	3	89	92
At 31 March 2018 and at 1 April 2018	13	303	316
Provided for the year	–	88	88
At 31 March 2019	13	391	404
Net carrying amount:			
At 31 March 2019	**–**	**50**	**50**
At 31 March 2018	–	138	138

17. INTANGIBLE ASSETS

	Operating license HK$'000	Computer software and application HK$'000	Total HK$'000
Cost:			
At 1 April 2017	135,755	97,644	233,399
Exchange realignment	14,645	10,534	25,179
At 31 March 2018	150,400	108,178	258,578
Exchange realignment	(9,616)	(6,917)	(16,533)
At 31 March 2019	140,784	101,261	242,045
Accumulated amortisation:			
At 1 April 2017	9,738	–	9,738
Provided for the year	7,187	–	7,187
Exchange realignment	1,478	–	1,478
At 31 March 2018	18,403	–	18,403
Provided for the year	7,130	–	7,130
Impairment loss recognised	–	37,236	37,236
Exchange realignment	(1,178)	(7)	(1,185)
At 31 March 2019	24,355	37,229	61,584
Net carrying amount			
At 31 March 2019	**116,429**	**64,032**	**180,461**
At 31 March 2018	131,997	108,178	240,175

17. INTANGIBLE ASSETS *(Continued)*

Note:

The operating license represented the sole and exclusive rights to operate, manage and maintain the website in the PRC for 20 years commencing on 5 August 2015 acquired during the year ended 31 March 2016. The net carrying amount will be amortised over the remaining useful life of 16.75 years (2018: 17.75 years).

Included in the computer software and application, an amount of HK$64,032,000 represented the carrying amount of an application running on the well-known communication platform to connect potential customers with food and beverages business in the PRC acquired during the year ended 31 March 2017. The directors considered that the application has an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The application will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in the Note 19.

18. GOODWILL

	2019 HK$'000	2018 HK$'000
Cost:		
At 1 April	**736,831**	729,657
Exchange realignment	**(4,711)**	7,174
At 31 March	**732,120**	736,831
Accumulated impairment losses:		
At 1 April	**693,026**	631,558
Impairment loss recognised for the year	**23,294**	59,791
Exchange realignment	**(1,915)**	1,677
At 31 March	**714,405**	693,026
Net carrying amount:		
At 31 March	**17,715**	43,805

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill and intangible assets with indefinite useful life have been allocated for impairment testing purposes to the following groups of cash generating units:

– Advertising at website

– Advertising at marketing platform

After recognition of impairment losses, the carrying amount of goodwill was allocated to cash generating units as follows:

	2019 **HK$'000**	2018 HK$'000
Advertising at website	**17,715**	35,805
Advertising at marketing platform	**–**	8,000
	17,715	43,805

The carrying amount of intangible assets with indefinite useful life was allocated to advertising at marketing platform.

Dynamic Thinker Limited

As at 31 March 2019, the Group determined the recoverable amount of cash generating unit ("CGU 1") for advertising through website based on a value in use calculation. 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 17%; in addition, those expected cash flows beyond 5-year period contain 3% growth rate. This growth rate is based on the industry in which the CGU 1 operates. As the recoverable amount of CGU 1 was below its carrying amount, an impairment loss of approximately HK$15,804,000 (2018: HK$13,011,000) has been recognised in profit or loss included in other gain or losses.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(Continued)*

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.

Group Wise Holdings Limited

As at 31 March 2019, the Group determined the recoverable amount of cash generating unit ("CGU 2") for advertising through marketing platform based on a value in use calculation. The valuation had used cash flows projection based on financial budgets approved by management which covered 5-year period, and incorporated therein, a discount rate of 14%. As the recoverable amount of CGU 2 was below its carrying amount, an impairment loss of approximately HK$7,490,000 (2018: HK$15,180,000) has been recognised in profit or loss included in other gain or losses.

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.

20. EQUITY INSTRUMENT AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS

	2019 HK$'000	2018 HK$'000
Equity securities listed in Hong Kong (Note a)	**11,703**	18,122
Unlisted equity securities (Note b)	**–**	26,540
Less: Impairment loss	**–**	(26,540)
	–	–
Total	**11,703**	18,122

Notes:

(a) The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the year ended 31 March 2019, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK$3,004,000 (2018: HK$9,678,000). As at 31 March 2018, due to a significant decline in the fair value of the available-for-sale investments below its cost, an impairment loss of approximately HK$7,771,000 has been recognised in profit or loss.

(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.

21. PREPAYMENTS FOR ACQUISITION OF FILM RIGHTS

Amount represents prepayment for profit sharing rights in films. The amount for the relevant films that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

22. FINANCIAL ASSETS HELD FOR TRADING

	2019 HK$'000	2018 HK$'000
Held-for-trading investments include:		
Equity securities listed in Hong Kong	**14,412**	19,613

The fair value of the listed equity investment is based on the quoted market bid price available on the Stock Exchange.

As at 31 March 2019 and 2018, none of the equity security listed in Hong Kong represented more than 5% of the Group's total assets.

23. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name of subsidiaries	Place of Incorporation/ Registration and operation	Full paid-up share/ registered capital and number of shares	Percentage of equity interests and voting power attributable to the Company Direct	Indirect	Principal activities
Beast Media Limited	Hong Kong	HK$1,000, 1,000 ordinary shares	–	100%	Investment holding
Capital Marks Limited	British Virgin Islands	US$1,000, 1,000 shares of US$1 each	100%	–	Investment holding
Dynamic Thinker Limited	British Virgin Islands	US$1, 1 share of US$1 each	100%	–	Operating website
FingerAd Media Company Limited	Hong Kong	HK$1, 1 ordinary share	–	100%	Food and beverages industry advertising business and movie production
Huge Leader Development Limited	British Virgin Islands	US$256,410, 256,410 shares of US$1 each	–	100%	Investment holding
Prospect Vantage Investment Limited	British Virgin Islands	US$100, 100 ordinary shares of US$1 each	100%	–	Investment holding
Recent Value Limited	British Virgin Islands	US$100, 100 shares of US$1 each	100%	–	Investment holding
Group Wise Holdings Limited	Hong Kong	HK$100, 100 ordinary shares	–	100%	Provision of communication marketing platform services
BP Credit Limited	Hong Kong	HK$10,000, 10,000 ordinary shares	–	100%	Inactive

24. ACCOUNTS RECEIVABLES

An ageing analysis of the accounts receivable at the end of the reporting period which based on the date of recognition of revenue, is as follows:

	2019	2018
	HK$'000	HK$'000
Within 30 days	**5,238**	9,588
31-60 days	**8,169**	2,352
61-90 days	**13,084**	2,856
91-365 days	**29,642**	16,190
Over 365 days	**3,845**	18,566
	59,978	49,552
Less: Impairment loss in respect of accounts receivables	**(1,938)**	(11,732)
	58,040	37,820

The Group does not allow any credit period to its customers, excepts for accounts receivable arising from movie segment, there are 180 days credit period granted.

	2018
	HK$'000
At the beginning of year	229
Impairment losses recognised	11,503
At the end of year	11,732

As at 31 March 2019, accounts 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 ageing analysis of the Group's accounts receivable balances which are past due but not impaired is presented based on the invoice dates as follows:

	2018
	HK$'000
Over 0-30 days	9,588
Over 31-60 days	2,352
Over 61-90 days	2,856
Over 91-365 days	16,190
Over 365 days	6,834
	37,820

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**1,465**	4,265
Deposits	**75**	86
Other receivables	**28,620**	19,898
	30,160	24,249

For the year ended 31 March 2019, impairment of other receivables of approximately HK$Nil (2018: HK$Nil) has been included in the consolidated statement of profit or loss and other comprehensive income. The debtors are either lost of contact or in financial difficulties of which the directors are of the opinion that the outstanding balances were not recoverable.

26. CASH AND CASH EQUIVALENTS

At 31 March 2019, all cash and cash equivalents are denominated in Hong Kong Dollars.

27. ACCOUNTS PAYABLES

An ageing analysis of the accounts payable at the end of the reporting period, is presented based on the invoice dates as follows:

	2019 HK$'000	2018 HK$'000
0-30 days	**2,674**	625
31-60 days	**3,281**	625
61-365 days	**16,808**	6,250
Over 365 days	**–**	4,785
	22,763	12,285

28. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Other payables	**22,997**	17,795
Accruals	**4,107**	5,108
	27,104	22,903

29. PROVISION AND CONTINGENT LIABILITIES

(a) On 25 November 2014 and 25 December 2014, a district court civil action had commenced by a third party against the former subsidiary and the Company regarding the outstanding professional services fee amount approximately HK$769,000, HK$137,000, HK$696,000 and HK$1,945,000 respectively.

As at the date of approval of these consolidated financial statements, no decision has been made in the court proceedings. In the opinion of the law firms, the Company has valid defense against the allegation and the legal action would have any probable material adverse impact on the Group's consolidated statement of financial position. Provision in respect of such claim amounting to HK$3,547,000 was made in the consolidated financial statements.

(b) On 26 June 2015, a High Court action had commenced by a former subsidiary which is currently under the liquidation management against the former directors of the Company and the Company regarding total fund transfer amount approximately HK$50,600,000. The funds have been transferred from the former subsidiary to the Company on 18 September 2009, 19 February 2010 and 10 March 2010 have been claimed no legitimate commercial purpose or justification.

As at the date of approval of these consolidated financial statements, no decision has been made in the arbitration and court proceedings. In the opinion of the directors, the Company has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claim was made in the consolidated financial statements.

30. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the year are as follows:

	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 1 April 2017	(5)	(48,516)	(55,916)	(104,437)
Credit to profit or loss	5	48,516	1,797	50,318
Exchange realignment	–	–	(5,925)	(5,925)
At 31 March 2018 and 1 April 2018	–	–	(60,044)	(60,044)
Credit to profit or loss	–	–	11,091	11,091
Exchange realignment	–	–	3,837	3,837
At 31 March 2019	**–**	**–**	**(45,116)**	**(45,116)**

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(45,116)**	(60,044)
	(45,116)	(60,044)

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of approximately HK$329,254,000 (2018: HK$331,579,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, or it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

At the end of the reporting period, the Group has deductible temporary difference of approximately HK$7,760,000 (2018: HK$6,809,000) arising from the net unrealised loss on financial assets held for trading. No deferred tax assets has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

31. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Authorised:		
50,000,000,000 ordinary shares with HK$0.02 each	**1,000,000**	1,000,000
Issued and fully paid:		
9,814,410,000 ordinary shares with HK$0.02 each	**196,288**	196,288

32. NON-VOTING CONVERTIBLE PREFERENCE SHARES

	2019 HK$'000	2018 HK$'000
Authorised:		
7,000,000,000 Non-voting convertible preference shares with HK$0.07 each	**490,000**	490,000
Issued and fully paid:		
Non-voting convertible preference shares with HK$0.07 each	**–**	–

33. SHARE OPTION SCHEMES

The Company operated a share option scheme which became effective on 29 August 2014 (the "Share Option Scheme") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group.

For the year ended 31 March 2019, the Company granted Nil (2018: 981,440,000) share option under the Share Option Scheme.

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company.

The Directors may at their absolute discretion grant Options to (a) any full-time or part-time employee of any member of the Group; (b) any consultant or adviser of any member of the Group; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (d) any shareholder of any member of the Group; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group, to be determined absolutely by the Board. If Options are granted to Participants, regards will be had as to, inter alia, the relationship of the grantee to the Group, the length of time of relationship, the contribution made or to be made to the Group, etc.

33. SHARE OPTION SCHEMES *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Scheme is equivalent, upon their exercise, to 10% of total number of shares of the Company in issue as at 31 August 2017. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the date of approval of these financial statements, the total number of shares available for issue under the Scheme is 981,440,000 shares representing less than 0.01% of the total number of issued shares of the Company on 31 August 2017.

33. SHARE OPTION SCHEMES *(Continued)*

The following table summaries the movements in the Company's share options during the year ended 31 March 2019.

	Grant date	At 1 April 2017	Granted during the year	Exercised during the year	Lasped during the year	As at 31 March 2018	As at 31 March 2019	Exercise period	Exercise price per share HK$
Other eligible employees	2 August 2017	–	98,140,000	–	–	98,140,000	98,140,000	2 August 2017 – 28 August 2024	0.02
Consultants	2 August 2017	–	883,300,000	–	–	883,300,000	883,300,000	2 August 2017 – 28 August 2024	0.02
		–	981,440,000	–	–	981,440,000	981,440,000		

During the year ended 31 March 2019, share option expenses related to the Share Option Scheme were valued at approximately HK$Nil (2018: HK$3,657,000) and are charged to the consolidated statement of profit or loss. The fair value of the share options granted on 2 August 2017 is measured based on the Binomial option pricing model with the following assumptions:

	Consultant	Employee
Value per option	HK$0.003	HK$0.010
Price per share at date of grant	HK$0.017	HK$0.017
Exercise price per share	HK$0.017	HK$0.017
Annual risk-free interest rate	0.530%	0.530%
Historical volatility	103.725%	103.725%
Life of options	7.08 years	7.08 years
Vesting period	–	–

Historical volatility measures the volatility of the underlying asset over a certain historical period time (the "Past Volatility"). It is assumed that the Past Volatility can be extrapolated directly to the future volatility.

34. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity of the consolidated financial statements.

The Company

Under the Companies Law (2004 revision) of the Cayman Islands, the Company's share premium account and capital reserve may be distributed to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

35. OPERATING LEASE COMMITMENTS

The Group leases office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**186**	56
In the second to fifth years inclusive	**62**	–
	248	56

36. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Contracted, but not provided for:		
License fee	**2,807**	3,185

37. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2019 **HK$'000**	2018 HK$'000
Salaries and other short-term employee benefits paid to key management personnel	**770**	684

38. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Interest in subsidiaries	**193,759**	271,788
Current assets		
Prepayments, deposits and other receivables	**789**	648
Cash and cash equivalents	**8,764**	289
	9,553	937
Total assets	**203,312**	272,725
EQUITY		
Capital and reserves		
Share capital	**196,288**	196,288
Reserves	**1,409**	72,102
Total equity	**197,697**	268,390
LIABILITIES		
Current liabilities		
Other payables and accruals	**2,068**	788
Provision	**3,547**	3,547
Total liabilities	**5,615**	4,335
Total equity and liabilities	**203,312**	272,725
Net current assets/liabilities	**3,938**	(3,398)
Total assets less current liabilities/net assets	**197,697**	268,390

Approved and authorised for issue by the Board of Directors on 28 June 2019.

SUN Wei
Director

MAN Qiaozhen
Director

The accompanying notes form an integral part of these financial statements.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movements of the Company's reserve during the year

	Share premium HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	1,233,312	–	(885,968)	347,344
Loss and total comprehensive loss for the year	–	–	(278,893)	(278,893)
Recognition of equity-settled share-based payments	–	3,651	–	3,651
At 31 March 2018 and at 1 April 2018	1,233,312	3,651	(1,164,861)	72,102
Loss and total comprehensive loss for the year	–	–	(70,693)	(70,693)
At 31 March 2019	1,233,312	3,651	(1,235,554)	(1,409)

40. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

Summary of Financial Information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**89,876**	101,155	64,622	38,135	20,429
(Loss)/Profit from operations	**(75,347)**	(407,367)	(279,207)	197,359	(140,085)
Finance costs	**–**	–	–	(12,324)	(17,280)
(Loss)/Profit before tax	**(75,347)**	(407,367)	(279,207)	185,035	(157,365)
Taxation	**9,443**	48,694	15,769	(61,785)	(2,629)
(Loss)/Profit after tax	**(65,904)**	(358,673)	(263,438)	123,250	(159,994)
(Loss)/Profit for the year and attributable to owners of the Company	**(65,904)**	(358,673)	(263,438)	123,250	(159,994)

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**326,792**	399,730	901,157	1,095,802	365,313
Total liabilities	**(108,356)**	(107,051)	(268,796)	(190,308)	(63,543)
Net assets	**218,436**	292,679	632,361	905,494	301,770