

CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 745



CONTENTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

| | | Six months ended 30 September | |
|--------------------------------|-------|----------------------------------|---------------------------------|
| | Notes | 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
| Turnover | 5 | 32,599 | 36,392 |
| Cost of sales | | (24,409) | (25,805) |
| Gross profit | | 8,190 | 10,587 |
| Other gains or losses | 5 | 4,321 | (13,372) |
| Administrative expenses | | (20,935) | (11,391) |
| Loss before taxation | 6 | (8,424) | (14,176) |
| Taxation | 7 | 1,688 | 351 |
| Loss for the period | | (6,736) | (13,825) |
| Attributable to: | | | |
| – Owners of the Company | | (6,736) | (13,825) |
| – Non-controlling interests | | – | – |
| | | (6,736) | (13,825) |
| Loss per share | 9 | | |
| For loss for the period | | | |
| – basic and diluted (HK cents) | | (0.07) | (0.14) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

| | Six months ended 30 September | |
|---|----------------------------------|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period | (6,736) | (13,825) |
| Other comprehensive (loss)/income | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent period: | | |
| Exchange differences on translating foreign operations | (325) | 231 |
| 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") | (2,657) | – |
| Other comprehensive (loss)/income for the period, net of income tax | (2,982) | 231 |
| Total comprehensive loss for the period | (9,718) | (13,594) |
| Attributable to: | | |
| – Owners of the Company | (9,718) | (13,594) |
| – Non-controlling interests | – | – |
| | (9,718) | (13,594) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

| | | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|--|-------|---|---|
| | Notes | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 50 | 50 |
| Intangible assets | | 176,896 | 180,461 |
| Goodwill | | 17,715 | 17,715 |
| Equity instruments at FVTOCI | 11 | 9,923 | 11,703 |
| Prepayments for acquisition of film rights | | 2,750 | 2,750 |
| | | 207,334 | 212,679 |
| Current assets | | | |
| Financial assets held for trading | 12 | 21,127 | 14,412 |
| Accounts receivables | 13 | 46,123 | 58,040 |
| Prepayments, deposits and other receivables | | 31,632 | 30,160 |
| Tax receivables | | 1,026 | 1,026 |
| Cash and cash equivalents | | 2,610 | 10,475 |
| | | 102,518 | 114,113 |
| Total assets | | 309,852 | 326,792 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 15 | 196,288 | 196,288 |
| Reserves | | 21,321 | 22,148 |
| Total equity | | 217,609 | 218,436 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2019

| | | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|---------------------------------------|----|---|---|
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 14 | 6,833 | 22,763 |
| Other payables and accruals | | 29,680 | 27,104 |
| Provision | | 3,547 | 3,547 |
| Tax payables | | 6,456 | 6,280 |
| Contract liabilities | | 1,503 | 3,546 |
| | | 48,019 | 63,240 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 17 | 44,224 | 45,116 |
| Total liabilities | | 92,243 | 108,356 |
| Total equity and liabilities | | 309,852 | 326,792 |
| Net current assets | | 54,499 | 50,873 |
| Total assets less current liabilities | | 261,833 | 263,552 |
| Net assets | | 217,609 | 218,436 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

| | Attributable to owners of the Company | | | | | | Total equity HK\$'000 |
|---|---------------------------------------|---------------------------|--|-----------------------------------|--|--------------------------------|--------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange translation reserve HK\$'000 | Share options reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Accumulated losses HK\$'000 | |
| At 31 March 2019 (Audited) and 1 April 2019 | 196,288 | 1,233,312 | (9,599) | 3,651 | (50,292) | (1,154,924) | 218,436 |
| Loss for the period | - | - | - | - | - | (6,736) | (6,736) |
| Other comprehensive loss for the period | - | - | (325) | - | - | - | (325) |
| Fair value loss on investments in equity instruments at FVTOCI | - | - | - | - | (2,657) | - | (2,657) |
| Total comprehensive loss for the period | - | - | (325) | - | (2,657) | (6,736) | (9,718) |
| Recognitions of equity-settled share-based payments | - | - | - | 8,891 | - | - | 8,891 |
| At 30 September 2019 (Unaudited) | 196,288 | 1,233,312 | (9,924) | 12,542 | (52,949) | (1,161,660) | 217,609 |
| At 31 March 2018 (Audited) and 1 April 2018 | 196,288 | 1,233,312 | 5,608 | 3,651 | - | (1,146,180) | 292,679 |
| Impact on initial application of HKFRS 9 | - | - | - | - | - | (3,612) | (3,612) |
| At 1 April 2018 (Adjusted) | 196,288 | 1,233,312 | 5,608 | 3,651 | - | (1,149,792) | 289,067 |
| Loss for the period | - | - | - | - | - | (13,825) | (13,825) |
| Other comprehensive loss for the period | - | - | 231 | - | - | - | 231 |
| Total comprehensive loss for the period | - | - | 231 | - | - | (13,825) | (13,594) |
| At 30 September 2018 (Unaudited) | 196,288 | 1,233,312 | 5,839 | 3,651 | - | (1,163,617) | 275,473 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

| | Six months ended | |
|---|------------------|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash outflow from operating activities | (4,637) | (4,716) |
| Net cash outflow from investing activities | (3,228) | (561) |
| Net decrease in cash and cash equivalents | (7,865) | (5,277) |
| Cash and cash equivalents at the beginning of the period | 10,475 | 12,032 |
| Cash and cash equivalents at the end of the period represented by cash and cash equivalents | 2,610 | 6,755 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 Unit 403, 4th floor, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong.

The Company and its subsidiaries (collectively, the Group) were principally involved in providing the advertising media services, e-commerce, film production and distribution business.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30 September 2019 (“Current Interim Period”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Interim Financial Statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2019 (“Annual Report”), which has been prepared in accordance with Hong Kong Financial Reporting Standards.

The Interim Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair value, as appropriate.

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

3. Principal accounting policies

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair value, as appropriate.

The preparation of the Unaudited Condensed Consolidated Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies and results reported for the current or prior accounting periods.

4. Segment information

For the purposes of resources allocation and performance assessment, information is reported to the chief operating decision maker of the Company, based on the following operating and reportable segments:

- (a) the advertising segment – provision of advertising and value added services through mobile devices;
- (b) the movie production segment – production and distribution of films and provision of other film related services; and
- (c) the e-commerce segment – sale of products over the internet.

4. Segment information (continued) Segment revenue and results

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

| | Advertising Six months ended | | Movie Six months ended | | E-commerce Six months ended | | Consolidated Six months ended | |
|--|---|---|---|---|---|---|---|---|
| | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) |
| Segment revenue: | | | | | | | | |
| Contract revenue from external customers | 25,629 | 22,786 | - | - | 6,970 | 13,606 | 32,599 | 36,392 |
| Segment results | 8,157 | 10,519 | - | - | 33 | 68 | 8,190 | 10,587 |
| Other gains or losses Corporate and other unallocated expenses | | | | | | | 4,321 | (13,372) |
| | | | | | | | (20,935) | (11,391) |
| Loss before taxation | | | | | | | (8,424) | (14,176) |
| Taxation | | | | | | | 1,688 | 351 |
| Loss for the period | | | | | | | (6,736) | (13,825) |

There were no inter-segment sales during the period (2018: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Other segment information

| | Advertising Six months ended | | Movie Six months ended | | E-commerce Six months ended | | Unallocated Six months ended | | Consolidated Six months ended | |
|---------------------------------|---|---|---|---|---|---|---|---|---|---|
| | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) | 30 September 2019 HK\$'000 (Unaudited) | 30 September 2018 HK\$'000 (Unaudited) |
| Depreciation and amortisation | 3,609 | 3,593 | - | - | - | - | - | - | 3,609 | 3,593 |
| Additions to non-current assets | - | - | - | - | - | - | - | - | - | - |

4. Segment information (continued)
Geographical information

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

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

| | Hong Kong | | The PRC | | Total | |
|---------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | Six months ended | | Six months ended | | Six months ended | |
| | 30 September | 30 September | 30 September | 30 September | 30 September | 30 September |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue from external customers | 6,970 | 13,606 | 25,629 | 22,786 | 32,599 | 36,392 |

| | At | | At | | At | |
|--------------------|--------------|-----------|--------------|-----------|--------------|-----------|
| | 30 September | 31 March | 30 September | 31 March | 30 September | 31 March |
| | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 |
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Non-current assets | 2,800 | 2,800 | 194,611 | 198,176 | 197,411 | 200,976 |

Revenue from its major services

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

| | Six months ended | |
|-------------|------------------|-------------|
| | 30 September | 2018 |
| | 2019 | 2018 |
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) |
| Advertising | 25,629 | 22,786 |
| E-commerce | 6,970 | 13,606 |
| | 32,599 | 36,392 |

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

Revenue from customer for the six months ended 30 September 2019 contributing over 10% of the total revenue of the Group is generated from e-commerce business (2018: e-commerce business) and as follows:

| | Six months ended 30 September | |
|------------|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Customer A | 6,970 | 12,553 |

There is no other single customer contributing over 10% of total revenue of the Group for the six months ended 30 September 2019 and 2018.

5. **Turnover and other gains or losses**

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

| | Six months ended 30 September | |
|---|--|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Turnover: | | |
| Advertising income | 25,629 | 22,786 |
| E-commerce income | 6,970 | 13,606 |
| | 32,599 | 36,392 |
| Other gains or losses: | | |
| Fair value gain/(loss) on financial assets held for trading | 4,261 | (5,997) |
| Fair value loss on investment in equity instruments at FVTOCI | – | (5,492) |
| Realised gain on disposal of equity instruments at FVTOCI | 102 | – |
| Impairment loss of accounts receivables | – | (2,014) |
| Others | (42) | 131 |
| | 4,321 | (13,372) |

6. Loss before taxation

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

| | Six months ended 30 September | |
|-------------------------------|----------------------------------|-------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Share-based payment expense | 8,891 | – |
| Depreciation and amortisation | 3,609 | 3,593 |

7. Taxation

| | Six months ended 30 September | |
|---------------------|----------------------------------|--------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| Hong Kong | (796) | 548 |
| Deferred tax | | |
| Current period | (892) | (899) |
| | (1,688) | (351) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2019 and 2018.

8. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2019 and 2018. The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2019 (30 September 2018: Nil).

9. Loss per share

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

| | Six months ended 30 September | |
|--|--|--------------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share | (6,736) | (13,825) |

| | Six months ended 30 September | |
|--|--|--------------------|
| | 2019 | 2018 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of shares of the Company for the purpose of basic and diluted loss per share | 9,814,410 | 9,814,410 |

Diluted loss per share for the six months ended 30 September 2019 were the same as basic loss per share as the potential share was anti-dilutive. Diluted loss per share were the same as basic loss per share as there were no potential dilutive shares in existence during the six months ended 30 September 2018.

10. Movements in property, plant and equipment

During the six months ended 30 September 2019 and 2018, the Group did not acquire any property, plant and equipment.

11. Equity instruments at FVTOCI

| | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|--|--|---|
| Listed investments: | | |
| Equity securities listed in Hong Kong (Note) | 9,923 | 11,703 |

Note:

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

| Stock code | Fair value loss HK\$'000 (Unaudited) | At 30 September 2019 HK\$'000 (Unaudited) |
|-------------------|---|--|
| 1327.HK | (2,057) | 4,971 |
| Others | (600) | 4,952 |
| | (2,657) | 9,923 |

Luxxu Group Limited (stock code: 1327.HK) (“Luxxu”) is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches. Based on Luxxu’s interim report for the six months ended 30 June 2019, revenue and loss of Luxxu were approximately RMB61,717,000 and RMB17,089,000 respectively.

Except the investments disclosed above, at 30 September 2019, there was no investment in equity instruments at FVTOCI held by the Group the value of which was more than 5% of the total assets of the Group.

- (b) The fair value of the listed equity investments is based on the quoted market bid prices available on the Stock Exchange. During the period ended 30 September 2019, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK\$52,949,000 (31 March 2019: HK\$50,292,000).

12. Financial assets held for trading

| | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|---------------------------------------|--|--|
| Equity securities listed in Hong Kong | 21,127 | 14,412 |

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

| Stock code | Fair value gain HK\$'000 (Unaudited) | At 30 September 2019 HK\$'000 (Unaudited) |
|-------------------|---|--|
| 736.HK | 1,159 | 7,251 |
| Others | 3,102 | 13,876 |
| | 4,261 | 21,127 |

China Properties Investment Holdings Limited (stock code: 736.HK) ("CPIHL") is principally engaged in properties investments, money lending and financial services. Based on CPIHL's interim report for the six months ended 30 September 2019, revenue and loss of CPIHL were approximately HK\$27,475,000 and HK\$28,010,000 respectively.

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

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

As at 30 September 2019 and 31 March 2019, except the investments disclosed above, none of the equity securities listed in Hong Kong represented more than 5% of the Group's total assets.

13. Accounts receivables

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

| | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|---|--|--|
| Within 30 days | 5,641 | 5,238 |
| 31 – 60 days | 6,469 | 8,169 |
| 61 – 90 days | 3,428 | 13,084 |
| 91 – 365 days | 27,273 | 29,642 |
| Over 365 days | 3,312 | 3,845 |
| | 46,123 | 59,978 |
| Less: impairment loss in respect of accounts receivables | – | (1,938) |
| | 46,123 | 58,040 |

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

14. Accounts payable

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

| | At 30 September 2019 HK\$'000 (Unaudited) | At 31 March 2019 HK\$'000 (Audited) |
|---------------|--|--|
| 0 – 30 days | 3,265 | 2,674 |
| 31 – 60 days | 3,568 | 3,281 |
| 61 – 365 days | – | 16,808 |
| | 6,833 | 22,763 |

15. Share capital

| | Number of Shares '000 | Nominal value of Shares HK\$'000 |
|---|-----------------------------|--|
| Authorised: | | |
| Share capital of HK\$0.02 each: | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | 50,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| Share capital of HK\$0.02 each: | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | 9,814,410 | 196,288 |

16. Non-voting convertible preference shares

| | Number of Shares '000 | Nominal value of Shares HK\$'000 |
|---|-----------------------------|--|
| Authorised: | | |
| Non-voting convertible preference shares of HK\$0.07 each: | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | 7,000,000 | 490,000 |
| Issued and fully paid: | | |
| Non-voting convertible preference shares of HK\$0.07 each: | | |
| At 1 April 2018, 31 March 2019, 1 April 2019 and 30 September 2019 | – | – |

17. Deferred tax liabilities

| | Fair value adjustments arising from acquisition of subsidiaries HK\$'000 | Total HK\$'000 |
|--|---|-------------------|
| At 31 March 2019 (Audited) and 1 April 2019 | (45,116) | (45,116) |
| Credited to profit or loss | 892 | 892 |
| At 30 September 2019 (Unaudited) | (44,224) | (44,224) |

18. Share option schemes

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

During the six months ended 30 September 2019, 981,400,000 share options were granted, no share option was exercised, cancelled nor lapsed under the Share Option Scheme.

19. Related party transactions

During the six months ended 30 September 2019 and 2018, in addition to the balance disclosed elsewhere in Interim Financial Statements, the Group had the following material transactions with related parties:

Key management personnel

| | Six months ended 30 September 2019 HK\$'000 (Unaudited) | 2018 HK\$'000 (Unaudited) |
|------------------------------|---|---------------------------------|
| Short-term employee benefits | 210 | 210 |
| Share-based payment expense | 1,778 | – |
| | 1,988 | 210 |

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Dividend

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

Business Review

For the six months ended 30 September 2019, the Group recorded a turnover of approximately HK\$32,599,000 (2018: HK\$36,392,000), representing a slightly decrease of 10% as compared with corresponding period last year. The decrease was mainly due to the global economic downturn as well as in Hong Kong which affect the consumption demand. Gross profit decreased to approximately HK\$8,190,000 in the Current Interim Period (2018: HK\$10,587,000). The gross profit margin decreased to 25.1% in the Current Interim Period from 29.1% in the corresponding period last year. The decrease of gross profit was mainly due to the decrease of gross profit margin in relation to the advertising segment. Administrative expenses also increased to approximately HK\$20,935,000 for the six months ended 30 September 2019 from approximately HK\$11,391,000 for the corresponding period last year. The increase was mainly due to the share-based payment expense of approximately HK\$8,891,000 (2018: nil).

Loss attributable to the owners of the Company amounted to approximately HK\$6,736,000 in the Current Interim Period (2018: HK\$13,825,000) and loss per share for the period was HK\$0.07 cents in the Current Interim Period (2018: loss per share of HK\$0.14 cents).

Advertising business

For the Current Interim Period, a wholly-owned subsidiary of the Company, that is principally dedicated to constructing a catering business mobile platform, has been actively engaged in development of mobile internet business based on established foundation and closely following the O2O path. It aims at connecting the online and offline operational procedures in traditional catering businesses that would result in forming a data closed-loop. The platform has launched such interactive features namely online order placing and online table booking. It has even provided, on a trial basis, mobile payment service for some merchants. As a result, efficiency of the clients' restaurants has been improved rather remarkably. Our platform has been hugely popular among catering business operators.

E-commerce business

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

Financial Review

Liquidity and financing

The Group had total cash and bank balances of approximately HK\$2,610,000 as at 30 September 2019 (31 March 2019: HK\$10,475,000). The Group recorded total current assets of approximately HK\$102,518,000 as at 30 September 2019 (31 March 2019: HK\$114,113,000) and total current liabilities of approximately HK\$48,019,000 as at 30 September 2019 (31 March 2019: HK\$63,240,000).

There were no bank borrowings as at 30 September 2019 (31 March 2019: Nil). The Group's gearing ratio, calculated by aggregate of amounts of other loan and promissory notes over total assets remained as zero (31 March 2019: zero).

Capital structure

Authorised share capital

As at 30 September 2019, the authorised share capital of the Company ("Authorised Share Capital") was HK\$1,490,000,000.00 divided into 50,000,000,000 shares ("Shares") of HK\$0.02 each and 7,000,000,000 non-voting convertible preference shares of HK\$0.07 each. The Authorised Share Capital had no change during the Current Interim Period.

Issued share capital

As at 30 September 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 Current Interim Period.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 September 2019, no asset was pledged by the Group (31 March 2019: Nil).

Capital commitment

As at 30 September 2019, the Group had no material capital commitment (31 March 2019: Nil).

Contingent liabilities

As at 30 September 2019, the Group had no material contingent liabilities (31 March 2019: 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 interim report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the Current Interim Period. Apart from those disclosed in this interim report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this interim report.

No Material Changes

Saved as disclosed in this interim report, from 1 April 2019 to 30 September 2019, there were no material changes affecting the Company's performance that needed to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Share Option

The Company has adopted the existing share option scheme on 29 August 2014 and scheme mandate limit of which has been refreshed at the annual general meeting of the Company held on 27 September 2019.

As at 30 September 2019 and at no time during the Current Interim Period was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company (the "Directors") to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

During the six months ended 30 September 2019, 981,400,000 share options were granted, no share option was exercised, cancelled nor lapsed under the Share Option Scheme.

Employment Information

As at 30 September 2019, the Group had 17 full time employees whom are employed in Hong Kong and the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Prospect

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

The vision of the Group is (1) to expand its existing services offerings to different industries and also the geographical coverage; and (2) to look for business opportunities that would generate long-term returns to its shareholders.

To achieve this vision, our future plans include:

- Continued development of advertising and e-commerce related businesses;
- Expansion of advertising and e-commerce related business through acquisition and/or co-operation;
- Strategic investments in both regional and overseas movie productions;
- Diversifying the Group's business portfolio in other business sector including but not limited to money lending business.

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

OTHER INFORMATION

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

At 30 September 2019, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise require notification to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long position in shares, underlying shares and debentures of the Company or its associated corporations:

| Name of Director | Capacity and nature of interests | Number of Shares held (long position) | Approximate percentage of shareholding |
|------------------|----------------------------------|---------------------------------------|--|
| SUN Wei | Beneficial owner | 98,140,000 | 0.99% |
| MAN Qiaozhen | Beneficial owner | 98,140,000 | 0.99% |

Save as disclosed above, as at 30 September 2019, none of the directors or the chief executive of the Company had registered any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register pursuant to section 352 of the SFO, or as otherwise require notification to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

During the Current Interim Period, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or any other body corporate.

Substantial Shareholders and Other Persons' Interest and Short Positions in the Shares and Underlying Shares

As at 30 September 2019, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, there was no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Interests in Competing Business

None of the Directors had engaged in any business which competed or might compete directly or indirectly with the business of the Group for the six months ended 30 September 2019.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Current Interim Period.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry made by the Company, that they have fully complied with the Model Code throughout the Current Interim Period.

Code on Corporate Governance

Except for the following deviations, the Group has adopted and met all the Code Provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the Current Interim Period.

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

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director Ms. WANG Miaojun, was unable to attend the annual general meeting of the Company held on 27 September 2019.

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

Since 29 July 2019 (the date of publication of the Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Audit Committee

During the six months ended 30 September 2019 and at the date of this report, the audit committee of the Board (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie. Mr. LIU Kwong Sang, who possesses appropriate professional qualifications, accounting and financial management expertise, is the chairman of the Audit Committee. The primary duties of the Audit Committee are: to independent review and supervise the financial reporting process, internal control and risk management systems on an ongoing basis, to ensure good communications among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

The Audit Committee has reviewed this report, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 30 September 2019. After review and discussions, the Audit Committee recommended the Board to approve the Interim Financial Statements.

Subsequent Events After the Reporting Period

Saved as disclosed in this interim report, there were no other significant events affecting the Company nor any of its subsidiaries after the reporting period ended 30 September 2019 requiring disclosure in this interim report.

Appreciation

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

On behalf of the Board

CHINA NATIONAL CULTURE GROUP LIMITED

SUN Wei

Executive Director

Hong Kong, 29 November 2019

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