CNCG

CHINA NATIONAL CULTURE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：745

ANNUAL REPORT 2020

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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. LEUNG Cho Yi

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 2020.

CURRENT YEAR REVIEW

During the year, the Group keep focusing on its existing advertising and e-commerce business. Although it is expected that it will generate stable revenue stream to the Group, due to the COVID-19 outbreak and the global economy downturn which affect the consumption ability of the consumer and also our client. 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) the decrease of gross profit due to the negative effect from COVID-19 outbreak and the global economy downturn; (ii) net realised and unrealised loss on financial assets held for trading; and (iii) impairment loss in respect of goodwill and intangible assets. 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, 29 June 2020

Management Discussion and Analysis

Business Review

For the year ended 31 March 2020, the Group recorded a revenue of approximately HK$77,116,000 (2019: HK$89,876,000), representing a decrease of 14.2% as compared with last year. The decrease in turnover in the current year mainly due to the coronavirus outbreak, social demonstration and the US China trade war which affect the economy and decrease the consumption demand. The Group recorded a gross profit of approximately HK$15,076,000 for the year ended 31 March 2020 as compared with a gross profit of approximately HK$21,071,000 for the year ended 31 March 2019. The gross profit margin decreased to 19.5% for the year ended 31 March 2020 from 23.4% for the year ended 31 March 2019. The decrease was mainly because the advertising business segment has upgraded the services to the existing clients in order to enhance the competitiveness in the market.

Loss attributable to the owners of the Company amounted to approximately HK$92,227,000 for the year ended 31 March 2020 as compared with a loss attributable to the owners of the Company amounted to approximately HK$65,904,000 for the year ended 31 March 2019. 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$87,385,000 (2019: HK$212,679,000) due to impairment loss recognised on goodwill and intangible assets during the year. Current assets decreased due to the decrease in prepayment, deposits and other receivables. Total current liabilities were decreased due to the decreases in other payables and provision.

SIGNIFICANT INVESTMENTS

Financial assets held for trading as at 31 March 2020:

Name of investee	As at 1 April 2019 HK$'000	Gain on disposal HK$'000	Fair value gain/(loss) HK$'000	As at 31 March 2020 HK$'000	Percentage to the Group's audited total assets as at 31 March 2020 %	Number of shares held by the Group as at 1 April 2019	Percentage of shareholding held by the Group as at 1 April 2019 %	Number of shares held by the Group as at 31 March 2020	Percentage of shareholding held by the Group as at 31 March 2020 %
Significant investments									
Capital VC Limited ("Capital VC") (stock code: 2324.HK) (note a)	4,200	–	(1,800)	2,400	1.4%	100,000,000	3.63%	100,000,000	3.63%
Asia Grocery Distribution Limited ("Asia Grocery") (stock code: 8413.HK) (note b)	1,391	–	2,641	4,032	2.3%	10,080,000	0.87%	10,080,000	0.87%
Sub-total	5,591	–	841	6,432	3.7%				
Other listed securities	8,821	103	(4,978)	7,172	4.2%				
Total	14,412	103	(4,137)	13,604	7.9%				

Note: (a) 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 2020, turnover and loss of Capital VC were approximately HK$49.4 million and HK$60.9 million respectively.

(b) Asia Grocery is engaged in trading and distribution of food and beverage grocery products in Hong Kong. Based on Asia Grocery's annual report for the year ended 31 March 2020, turnover and loss of Asia Grocery were approximately HK$204,368,000 and HK$3,573,000 respectively.

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

Except the significant investments disclosed above, at 31 March 2020, 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 2020.

Equity instruments of FVTOCI as at 31 March 2020

Name of investee	As at 1 April 2019 HK$'000	Gain on disposal HK$'000	Fair value loss HK$'000	As at 31 March 2020 HK$'000	Percentage to the Group's audited total assets as at 31 March 2020 %	Number of shares held by the Group as at 1 April 2019	Percentage of shareholding held by the Group as at 1 April 2019 %	Number of shares held by the Group as at 31 March 2020	Percentage of shareholding held by the Group as at 31 March 2020 %
Luxxu Group Limited ("LUXXU") (stock code: 1327) (note)	7,029	–	(4,800)	2,229	1.3%	171,428,000	4.96%	17,142,800	4.96%
Other listed securities	4,674	–	(3,493)	1,181	0.7%				
Total	11,703	–	(8,293)	3,410	2.0%				

Note: LUXXU 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 LUXXU annual report for the year ended 31 December 2019, revenue and loss of LUXXU were approximately RMB91.5 million and RMB127.0 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 2020.

Except the equity instruments of FVTOCI disclosed above, at 31 March 2020, 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 2020, 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 2020.

After the share consolidation which effective on 21 May 2020, the Authorised Share Capital become HK$1,490,000,000 divided into 2,500,000,000 Shares of HK$0.40 each and 350,000,000 non-voting preference shares of HK$1.40 each.

Management Discussion and Analysis

Issued share capital

As at 31 March 2020, 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 2020.

After the share consolidation which effective on 21 May 2020, the issued share capital become 490,720,500 Shares of HK$0.40 each.

Liquidity and financing

The Group had total cash and bank balances of approximately HK$5,276,000 as at 31 March 2020 (2019: HK$10,475,000). The Group recorded total current assets of approximately HK$84,932,000 as at 31 March 2020 (2019: HK$114,113,000) and total current liabilities of approximately HK$43,030,000 as at 31 March 2020 (2019: HK$63,240,000).

There were no bank borrowings as at 31 March 2020 (2019: Nil). The Group's gearing ratio, remained as zero (2019: 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 2020, no asset of the Group was being pledged as there is no external financing (2019: Nil).

Capital commitment

As at 31 March 2020, the Group had capital expenditure contracted for but not provided for in the financial statements amounting to approximately HK$10,657,000 (2019: HK$2,807,000).

Contingent liabilities

As at 31 March 2020, the Group had no material contingent liabilities (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 report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the year ended 31 March 2020. Apart from those disclosed in this report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this report.

Management Discussion and Analysis

No Material Changes

Saved as disclosed in this report, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules for the year ended 31 March 2020.

Employee Information

As at 31 March 2020, the Group had 27 (2019: 17) 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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 26 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2020 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 43 to 46.

The Board does not recommend the payment of a dividend (2019: 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 124 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 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's issued share capital are set out in the notes 35 and 36 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 and 27 September 2019. During the year under review, 49,070,000 share options were granted and no share option was exercised, cancelled nor lapsed. As at the date of this report, there are 98,142,000 outstanding share options.

Up to the date of this report, 98,142,000 share options has been granted by the Company pursuant to such Share Option Scheme. The options are unlisted. Each option gives the holder the right to subscribe for one share of HK$0.40 each of the Company.

Category of participants	Date of grant	Number of share options Granted during the year ended 31 March 2020	Exercised during the year ended 31 March 2020	Cancelled during the year ended 31 March 2020	Forfeited during the year ended 31 March 2020	Outstanding as at 31 March 2020	Exercisable period	Exercise price per share (HK$)
Executive Directors								
Sun Wei	21 August 2019	4,907,000	–	–	–	4,907,000	6 years	0.40
Man Qiaozhen	21 August 2019	4,907,000	–	–	–	4,907,000	6 years	0.40
Employees	2 August 2017	–	–	–	–	4,907,200 (note (i))	7 years	0.40
	21 August 2019	29,442,000	–	–	–	29,442,000 (note (ii))	6 years	0.40
Consultants	2 August 2017	–	–	–	–	44,165,000 (note (iii))	7 years	0.40
	21 August 2019	9,814,000	–	–	–	9,814,000 (note (iv))	6 years	0.40

Notes:

(i) The share options have been granted to 1 employee.

(ii) The share options have been granted to 6 employees and each of them hold 4,907,000 share options.

(iii) The share options have been granted to 10 consultants and 8 of them hold 4,907,000 share options each and 2 of them hold 2,454,500 share options each.

(iv) The share options have been granted to 2 consultants and each of them hold 4,907,000 share options.

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 49,072,050 Shares (after the share consolidation effective on 21 May 2020), approximately 10% of the Shares in issue as at 27 September 2019. 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, no 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.

Save for those disclosed in this report, at no time during the year ended 31 March 2020 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.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2020, 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 44 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company had no reserves available for distribution under the provisions of the Companies Law (as revised) of the Cayman Islands (2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 43.56% (2019: 34.44%) of the total sales for the year and sales to the largest customer included therein amounted to 26.28% (2019: 32.31%). The aggregate purchases during the year attributable to the Group's 5 largest suppliers accounted for 69.56% (2019: 100.00%) of the Group's total purchases for the year and the purchase from the largest supplier included therein amounted to 42.00% (2019: 69.45%).

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 7 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.

63.33% (2019: 62.91%) of our revenue during the year ended 31 March 2020 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.

Report of the Directors

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.

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 2020, 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, Ms. Sun Wei and Ms. Man Qiaozhen 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 27 to 28 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 41 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 2020, 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 2020.

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

Please refer to notes 13 and 14 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 43 to the consolidated financial statements.

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 2020.

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

As at 31 March 2020, the interests and short positions of the Directors, chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

LONG POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

	Number of issued ordinary shares/ underlying shares of the Company				
Name of Director	Personal interests	Family interests	Corporate interests	Total	Percentage of the issued share capital of the Company
Ms. Sun Wei					
– Unlisted share options	4,907,000*	–	–	4,907,000*	
	4,907,000*	–	–	4,907,000*	1.00%
Ms. Man Qiaozhen					
– Unlisted share options	4,907,000*	–	–	4,907,000*	1.00%

* The number of unlisted share options has reflected the share consolidation which effective on 21 May 2020.

Save as disclosed above, as at 31 March 2020, 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 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 2020, 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2020, 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 2020.

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 2020, the Company has not appointed the Chairman and thus there has been no segregation of duties during the year.

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 Directors, Ms. Wang Miaojun and Ms. Wang Yujie were unable to attend the annual general meeting of the Company held on 27 September 2019.

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.

Report of the Directors

MAJOR EVENTS AFTER THE REPORTING PERIOD

Reference is made to the circular of the Company dated 26 March 2020 (the "Circular") and the announcements of the Company dated 23 April 2020 and 10 June 2020 relating to (a) the share consolidation which every twenty (20) issued and unissued Existing Shares of par value HK$0.02 each in the share capital of the Company consolidated into one (1) Consolidated Share of par value HK$0.4 each in the share capital of the Company; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK$0.07 each in the share capital of the Company consolidated into one (1) Consolidated Preference Share of par value HK$1.40 each in the share capital of the Company (the "Share Consolidation"); and (b) the capital reduction and share sub-division which each of the authorised but unissued Consolidated Shares of par value HK$0.4 each and the authorised but unissued Consolidated Preference Shares of par value HK$1.40 each be sub-divided into ten (10) New Shares of par value HK$0.04 each and ten (10) New Preference Shares of par value HK$0.14 each respectively. Unless the context otherwise requires, terms used in this note shall have the same meanings as those defined in the Circular.

Subsequent to the year end date of 31 March 2020, the Share consolidation became effective on 21 May 2020 and the petition hearing for confirmation of the Capital Reduction and the Share Sub-division will be held on Thursday, 23 July 2020 (Cayman Islands time) at the Court.

For further details, please refer to the Circular.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2020 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, 29 June 2020

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 2020, 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 27 to 28 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 2020, 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 2020, 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, 7 Board meetings were held and the attendance of individual Directors was as follows:

Name of directors	Attendance
Ms. SUN Wei	7/7
Ms. MAN Qiaozhen	7/7
Mr. LIU Kwong Sang	7/7
Ms. WANG Miaojun	7/7
Ms. WANG Yujie	7/7

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 2 meeting during the year. Details of individual attendance of its members are set out below:

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

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.

AUDIT COMMITTEE

During the year ended 31 March 2020, 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	3/3
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 2019 and the interim results for the six months ended 30 September 2019. The annual report 2020 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.

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	✓		✓	

Name of Director	Educational Background			Professional Experience			
	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

Corporate Governance Report

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 2020.

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$730,000 and HK$Nil respectively.

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 38 to 42.

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. Leung Cho Yi ("Mr. Leung") has been appointed as the company secretary of the Company ("Company Secretary") on 2 January 2020. His primary corporate contact person at the Company is Ms. SUN Wei, an executive Director. Mr. Leung has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 March 2020.

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 2020. 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 2020 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	0

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 36, 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. Since May 2020, Ms. Sun has been appointed as a director of TD Holdings, Inc. (ticket symbol: GLG) whose securities are listed on the United States Nasdaq Stock Market.

Ms. MAN Qiaozhen ("Ms. Man"), aged 34, 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 58, 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. Since 15 June 2020, Mr. Liu has been appointed as independent non-executive director of Earthasia International Holdings Limited, securities of which are listed on the main board of the Stock Exchange.

Biographical Details of Directors

Ms. WANG Miaojun ("Ms. Wang"), aged 39, 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 35, 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*

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This report has been prepared by the management of the Company in accordance with the requirements of the Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In this report, and it presents mainly policies, initiatives and performance of the Group for the year ended 31 March 2020. It will also highlight material aspects identified from 1 April 2019 to 31 March 2020 (the "Reporting Period") with the Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

The environmental, social and governance report of the Group (the "ESG Report") has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide.

The Group understands the importance of ESG Report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society.

The key stakeholders for the Reporting Period are identified by the Group as follow:

- Equity shareholders
- Local and Central governments of the People's Republic of China (the "PRC")
- Hong Kong supervision bodies related to listing compliance
- Employees
- Customers
- Suppliers/Subcontractors

Environmental, Social and Governance Report

The table below demonstrates the relationship between the ESG Guide and the issues found relevant to the Group:

ESG Guide	Relevant ESG Issue to the Group
A. Environmental	
A.1 Emissions	Greenhouse gases emissions Waste management
A.2 Use of resources	Resources consumption Paper usage Water conservation
A.3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B.1 Employment labour practices	Labour practices Equal opportunities
B.2 Health and safety	Workplace health and safety
B.3 Development and training	Employee development and training
B.4 Labour standards	Child labour and forced labour
B.5 Supply chain management	Supplier management
B.6 Product responsibility	Customer service Intellectual property and privacy matters
B.7 Anti-corruption	Anti-corruption
B.8 Community investment	Community involvement

ABOUT THE GROUP

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

1) to expand its existing services offerings to different industry and also the geographical coverage; and

2) to look for business opportunities that would generate long-term returns to its shareholders.

A. ENVIRONMENTAL

The Group always concerns the adverse impact of its business activity toward the environment and has promoted and educated all staff to minimise the input of resources for more environmentally friendly atmosphere. As the Group does not involve in use of significant amount of natural resources and most of the services provided are through new media e.g. website, mobile application and electronic social platform, we believe that the exposure of adverse environmental impact is very limited. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in the PRC and Hong Kong.

A.1 Emissions

The operation of the Group does not involve in any manufacturing activities and does not have material impacts on the environment and natural resources. Nevertheless, the Group generates greenhouse gas ("GHG") emission through the combustion of fuels, the use of electricity and the production of paper waste in the offices.

Greenhouse Gas Emissions

The Group consumes electricity for its advertising, e-commerce and trading and production of movie business. The emission of carbon dioxide (CO_2) has been calculated by the quantity of energy consumed multiple by the emission factors and the emission of CO_2 are used kg as unit. The emissions of CO_2 are broadly classified into three scopes:

Scope 1 – Direct emissions from combustion of fuels;

Scope 2 – Energy indirect emissions; and

Scope 3 – Other indirect emissions.

The Group consumed 1,831kWh (2019: 4,014kWh) of electricity which contributed to the emissions of 1.46 tonnes (2019: 3.17 tonnes) of CO_2 (Scope 2).

Waste Management

The Group has launched a number of waste management programs, including:

- Recycling of paper materials, printing cartridges and batteries; and

- To encourage staff to mitigate paper consumption by double-sided printing and reuse single-sided printed papers.

The Group strictly complies with relevant local laws and regulations on environment in the PRC and Hong Kong.

Environmental, Social and Governance Report

A.2 Use of Resources

Resources Consumption

The Group is committed to upholding high environmental standards in order to promote environmental friendliness and encourages staff to adopt environmentally responsible habits that mentioned in the environmental management practices to measure and reduce the use of resources, minimize waste and recycle materials.

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to minimize the use of resources, including restriction of room temperature and has encouraged the use of recycle papers in office. Management also encourages and ensures lights and air-conditioning were switched off where not in use.

The Group is committed to performing regular assessment in analysing data in aims to better manage the use of resources. The resources used by the Group from offices mainly relates to electricity. With the implementation of lowering the consumption of electricity, the intensity of consumption in electricity recorded a reduction of 71.2% from 236kWh per staff to 68kWh per staff. The Group would implement any necessary measures to minimise the adverse effect brings to the natural environment.

Paper usage

The Group encourages staff to communicate through electronic media with clients and co-workers.

The Group stated that the consumption of paper was immaterial and has no relevant information of paper usage during the Reporting Period.

Water conservation

Although the operation of the Group does not consume any water, he Group encourage staff to report all leaking faucets or pipes to relevant departments and turn off all taps when not in use.

A.3 Environmental and Natural Resources

Measures in Reducing Environmental Impact

It is essential that the Group's policy should maintain the daily operation efficiency in order to mitigate the total usage of energy and materials.

All companies within the Group are committed to producing high-quality services while also ensuring that, all business activities in the PRC and Hong Kong, impact the environment positively.

The Group protects natural resources by green purchasing such as recycled paper, toner and cartridge. Trying to reduce the quantity of copying paper, use duplex printing, print on used paper, use copier networking for faxing and document storage. Implemented electronic leave application.

B. SOCIAL

B.1 Employment

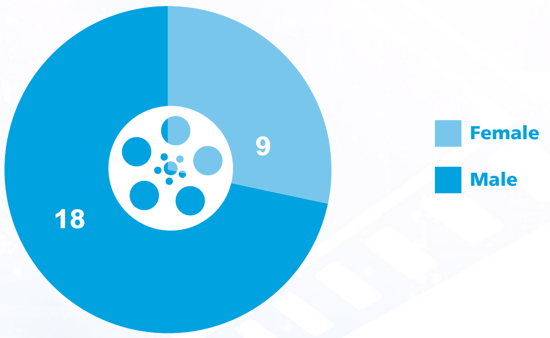
Labour Practices

The Group regards employees as one of the most valuable assets of the Group and regards the personal development of its employees as highly important. Staff is the most important asset that drives the long-term development and sustainability of the Group.

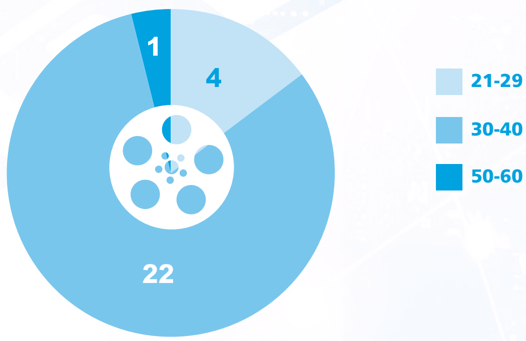
As at 31 March 2020, the Group has 27 (2019: 17) employees. Employment in PRC are subject to the Labour Law and the Employment Contract Law of the PRC 《中華人民共和國勞動法及勞動合同法》. Employment in Hong Kong is subject to the Employment Ordinance, the Minimum Wage Ordinance and the Employees' Compensation Ordinance. During the year, the Group did not aware of any non-compliance with the above law and regulations.

The graphs below show the workforce distribution by gender, age group and geographical region:

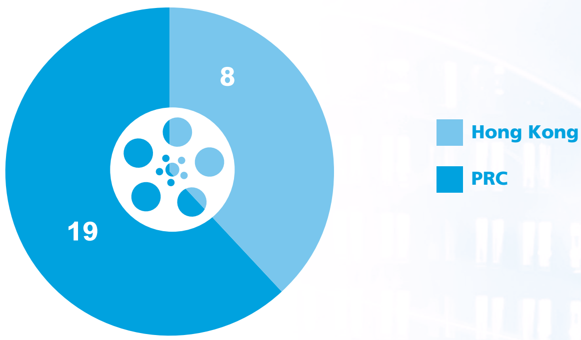
Gender Distribution



Age Distribution



Workforce by Geographical Region



Equal Opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis no matter of what gender they are, thus the rights of female employees are well-protected.

The Group adopts equal employment opportunity policies and treats all the employees equally. Employment, remuneration and promotion are not under the influence of social identities, such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

B.2 Health and Safety

Workplace health and safety

The Group aims to provide a safe and healthy working environment to the employees and promotes the message of "Work happily, Live healthily". The Group organises recreational activities, such as badminton races and basketball match, for employees regularly. Holding recreational activity not only able to build up the sense of belonging and team spirits among employees, but also promote the message of the importance of work-life balance to all staff. The group also provides free body check up to all staff before admission and annually.

During the Reporting Period, there were no cases of non-compliance with the laws and regulations in respect of the provision of a safe working environment and the protection of employees from occupational hazards. During the year ended 31 March 2020, no cases of injury have been reported within the Group.

B.3 Development and training

Employee development and training

The Group encourages employees for continuous development and improves their skill set through training. The Group provided various internal and external trainings for developing the workforce including but not limited to financing, accounting, corporate governance and others that directly related to the business of the Group.

There are budgets per annum for directors and other staffs' training and reimbursed given after the completion of the enrolled program. To fully develop the workforce, new staffs will also be provided with onboard training to help adapt faster to the operations and culture of the Group. Staff's performance will also be reviewed annually through appraisal to determine any additional training or improvement plan required for each staff from their performance result.

B.4 Labour Standard

The operation team of the Group requires sophisticated training in the field of Finance or extensive exposure to the finance business. Hence the Group does not rely on labour or involve in any labour-intensive work. As such, it is almost certain that the Group would not be involved in child or forced labour. Further, the employment policies of the Group focus on the capabilities of the individual regards of personal traits such as gender or ethnic groups.

Child labour and forced labour

The Group has strictly complied with Labour Contract Law of the PRC《中華人民共和國勞動合同法》. According to the Employment Ordinance Chapter 57 of the Laws of Hong Kong and the Provisions on the Prohibition of Using Child Labour and the Law of the PRC on the Protection of Minors《中華人民共和國禁止使用童工規定及保護未成年人法》and as stipulated by the Labour Law of the PRC《中華人民共和國勞動法》in terms of employment management, there is neither child nor forced labour in the Group's operation.

To screen job candidates during recruitment, the Group reviews the applicants' application forms and conducts identity card verification. The Group would immediately terminate employment contract with employee who violates the laws and regulations, and will regularly review and update the Staff Handbook and internal policies to meet the latest regulatory requirements. Group also has policies to protect staff's labour rights with a complaint system for staffs to report their concerns and any violations of labour rights.

Undoubtedly, during the year ended 31 March 2020, the Group is prohibited to employ any staffs who has under the legal working age for protecting the young people at work.

B.5 Supply Chain Management

Supplier management

The Group has a subcontractor management plan to control the selection and supervision of subcontractors and suppliers such that they are up to our strict requirements in safety, environmental and quality performance.

Our evaluation of a subcontractor/supplier includes experience, job references, past performance, statutory licenses and certificates as may be required, financial status, integrity, social responsibility and particular skills, competencies and professionalism of the management teams.

We regard our subcontractors and suppliers as our business partners and work closely with them to warrant that the services are conducted in a manner that meets the highest professional and ethical standard assuring a quality end-product as well as continued confidence of our customers and the public.

B.6 Product Responsibility

Customer Service

The Group has a standard follow up and action plan for handling customer complaints relating to advertising products and products sales over internet. Customer complaints and product recalls will be handled in a consistent and timely manner.

Intellectual Property and Privacy Matters

The Group's intellectual property, including patents, copyrights, trademarks, service marks, research and development achievements, trade secrets, technical data and other related rights. They are not allowed to damage, delete or take advantage of any asset or documents without the Group's approval. Staff handbook included a data privacy protection clause in which employees are only allowed to use computer, information and software authorized by the Group and the use of internet, intranet and emails shall be strictly for work purposes. Employees shall not disclose any confidential information to any unauthorized personnel or parties. The Group's IT department has system set up for ensuring network security and management. No infringement was identified during the reporting period.

The Group has formulated a set of privacy principal in collection, retention, use, security, openness and accessibility of information to ensure all information received is only for its intended purpose and to prevent information leakage by setting access control rights and follow up action when information leakage is found.

B.7 Anti-corruption

Anti-corruption

The Group believes that honesty, integrity and fair play are the important assets in business and strictly adhered to the laws relating to corruption, bribery, extortion and money-laundering etc. Code of Conduct has been prepared, under which all employees are advised that they are prohibited from offering or soliciting advantages in connection with his or her duties and with the business of the Group and that any employee soliciting or accepting an advantage without the permission of the Group commits an offence under the Prevention of Bribery Ordinance.

The Code of Conduct also states clearly that the Group shall not tolerate any illegal or unethical acts. Offenders will be subject to disciplinary action, including summary dismissal and termination of employment. In cases of suspected corruption or other forms of criminal activity, a report will be made to ICAC or appropriate authorities.

A channel for raising complain is open to all employees, so that any possible break of the Code or unlawful or unethical conduct can be sent directly to the Senior Management for an impartial investigation.

During the Reporting Period, no violation of any corruption activities has been detected by the Group and reported by staff.

B.8 Community Investment

Community involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approaches toward community involvement are as follows:

- fulfils the corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work,

- assesses how to give business activities to the interests of community, and

- commits to the provision of career opportunities to the locals and promotes the development of the community's economy.

Independent Auditor's Report

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 43 to 123, which comprise the consolidated statement of financial position at 31 March 2020, 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 at 31 March 2020 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 ("HKCO").

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.

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 2020. 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 intangible assets and goodwill 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 20 and 21 to the consolidated financial statements, the net carrying amounts of intangible assets and goodwill at 31 March 2020 were HK$78,155,000 and Nil respectively. In estimating the recoverable amount of the cash-generating units to which intangible assets and goodwill 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 intangible assets and goodwill 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.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all 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 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 HKCO and for such internal control as the directors 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 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 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 Mr. Leung Man Kin with Practising Certificate number P07174.

Elite Partners CPA Limited
Certified Public Accountants

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

29 June 2020

Consolidated Statement of Profit or Loss

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	9	**77,116**	89,876
Cost of sales		**(62,040)**	(68,805)
Gross profit		**15,076**	21,071
Other revenue	10	**2**	46
Administrative expenses		**(24,909)**	(30,044)
Other gains or losses	10	**(104,585)**	(66,420)
Finance costs	11	**(8)**	–
Loss before taxation	12	**(114,424)**	(75,347)
Income tax – credit	15	**22,197**	9,443
Loss for the year attributable to the owners of the Company		**(92,227)**	(65,904)
		HK cents	HK cents (restated)
Loss per share – Basic and diluted	17	**(18.79)**	(13.43)

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 2020

	2020 HK$'000	2019 HK$'000
Loss for the year	**(92,227)**	(65,904)
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(11,857)**	(15,207)
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")	**(8,293)**	(3,004)
Other comprehensive expense for the year, net of income tax	**(20,150)**	(18,211)
Total comprehensive expense for the year attributable to the owners of the Company	**(112,377)**	(84,115)

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

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**10**	50
Right-of-use asset	19	**60**	–
Intangible assets	20	**78,155**	180,461
Goodwill	21	**–**	17,715
Equity instruments at FVTOCI	23	**3,410**	11,703
Prepayments for acquisition of a film right/ Investment in a film right	24	**5,750**	2,750
		87,385	212,679
Current assets			
Financial assets held for trading	25	**13,604**	14,412
Accounts receivable	27	**59,500**	58,040
Prepayments, deposits and other receivables	28	**6,552**	30,160
Tax receivables		**–**	1,026
Cash and cash equivalents	29	**5,276**	10,475
		84,932	114,113
Total assets		**172,317**	326,792
EQUITY			
Capital and reserves			
Share capital	35	**196,288**	196,288
Reserves	38	**(86,539)**	22,148
Total equity		**109,749**	218,436

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
LIABILITIES			
Current liabilities			
Accounts payable	30	**22,942**	22,763
Other payables and accruals	31	**17,991**	27,104
Provision	32	**200**	3,547
Lease liability	33	**62**	–
Tax payables		**1,409**	6,280
Contract liabilities		**426**	3,546
		43,030	63,240
Non-current liabilities			
Deferred tax liabilities	34	**19,538**	45,116
Total liabilities		**62,568**	108,356
Total equity and liabilities		**172,317**	326,792
Net current assets		**41,902**	50,873
Total asset less current liabilities		**129,287**	263,552
Net assets		**109,749**	218,436

The consolidated financial statements on pages 43 to 123 were approved and authorised for issue by the board of directors on 29 June 2020 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 2020

	Total equity 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 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)
Release of fair value reserve upon disposal of investments in equity instruments at FVTOCI	–	–	–	–	(616)	616	–
At 31 March 2019	196,288	1,233,312	3,651	(9,599)	(50,908)	(1,154,308)	218,436
Loss for the year	–	–	–	–	–	(92,227)	(92,227)
Other comprehensive expenses for the year:							
Exchange difference on translating foreign operations	–	–	–	(11,857)	–	–	(11,857)
Fair value loss on investments in equity instruments at FVTOCI	–	–	–	–	(8,293)	–	(8,293)
Total comprehensive expenses for the year	–	–	–	(11,857)	(8,293)	(92,227)	(112,377)
Recognition of equity-settled share-based payment	–	–	3,690	–	–	–	3,690
At 31 March 2020	**196,288**	**1,233,312**	**7,341**	**(21,456)**	**(59,201)**	**(1,246,535)**	**109,749**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 **HK$'000**	2019 HK$'000
Cash flows from operating activities		
Loss before taxation	**(114,424)**	(75,347)
Adjustments for:		
Interest income	**(2)**	(46)
Finance cost	**8**	–
Depreciation of property, plant and equipment	**40**	88
Depreciation of right-of-use asset	**180**	–
Amortisation	**6,843**	7,130
Net unrealised loss of financial assets held for trading	**4,137**	5,252
Net realised (gain)/loss of financial assets held for trading	**(103)**	510
Reversal of provision	**(3,347)**	–
Impairment loss in respect of goodwill	**17,006**	23,294
Impairment loss in respect of accounts receivable	**508**	107
Impairment loss in respect of other receivable	**117**	–
Impairment loss in respect of intangible assets	**86,241**	37,236
Equity-settled share-based payments expenses	**3,690**	–
Operating cash flows before working capital changes	**894**	(1,776)
Increase in financial assets held for trading	**(3,226)**	(561)
Increase in prepayments for acquisition of a film right/investment in a film right	**(3,000)**	–
Increase in accounts receivable	**(1,968)**	(10,455)
Decrease/(increase) in prepayments, deposits and other receivables	**23,491**	(5,911)
Increase in accounts payable	**179**	10,478
(Decrease)/increase in other payables and accruals	**(9,113)**	4,201
Decrease in contract liabilities	**(2,967)**	(376)
Cash generated from/(used in) operations	**4,290**	(4,400)
Interest received	**2**	46
Tax paid	**(4,919)**	–
Net cash used in operating activities	**(627)**	(4,354)
Cash flows from investing activities		
Proceeds from disposal of investment in equity instruments at FVTOCI	**–**	3,415
Net cash generated from investing activities	**–**	3,415
Cash flows from financing activities		
Repayment of lease liability	**(178)**	–
Interest paid	**(8)**	–
Net cash used in financing activities	**(186)**	–
Net decrease in cash and cash equivalents	**(813)**	(939)
Cash and cash equivalents at the beginning of the year	**10,475**	12,032
Effect of foreign exchange rate changes, net	**(4,386)**	(618)
Cash and cash equivalents at the end of year	**5,276**	10,475
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**5,276**	10,475

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 AMENDMENTS TO 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 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

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

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use asset and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

As a lessee *(Continued)*

When recognising the lease liability for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant Group entities at the date of initial application. The lessee's incremental borrowing rate applied is 5.66%.

	Note	HK$'000
Operating lease commitments disclosed at 31 March 2019	39	248
Lease liability at 1 April 2019 discounted at relevant incremental borrowing rates		240

	HK$'000
Analysed as	
Current	178
Non-current	62
	240

The carrying amount of right-of-use asset at 1 April 2019 comprises the following:

	HK$'000
Right-of-use asset relating to operating leases recognised upon application of HKFRS 16	240
By class	
Office	240

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

2.1 New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

As a lessee *(Continued)*

Transition to HKFRS 16 does not have a material impact on accumulated losses at 1 April 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 March 2019 HK$'000	Adjustment HK$'000	Carrying amount under HKFRS 16 at 1 April 2020 HK$'000
Non-current assets			
Right-of-use asset	–	240	240
Current liabilities			
Lease liability	–	(178)	(178)
Non-current liabilities			
Lease liability	–	(62)	(62)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position at 1 April 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions[4]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]

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

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

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

4 Effective for annual periods beginning on or after 1 June 2020.

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors anticipate that the application of all new and amendments to HKFRSs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), which collective term includes all applicable individual 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 disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets held for trading and equity instruments at FVTOCI 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 accounted for in accordance with HKFRS 16 Leases (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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.

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 9.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

Leases

Upon the adoption of HKFRS 16 on 1 April 2019

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Upon the adoption of HKFRS 16 on 1 April 2019 *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Upon the adoption of HKFRS 16 on 1 April 2019 *(Continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Under HKAS 17 (prior to 1 April 2019)

All leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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 tangible assets that are held for use in production or supply of goods or services, or for administrative purposes. 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 on property, plant and equipment, right-of-use assets of and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible asset with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible asset are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets of 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 a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Film rights

Film rights represent films, television programmes and television drama series ("films" or singularly, "film") acquired by the Group.

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

Film rights are stated at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) 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 at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

Classification and subsequent measurement of financial assets

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 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 FVTPL, except that at the date of initial application of HKFRS 9/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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

A financial asset is 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.

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, deposits and other receivables, cash and cash equivalents) which are subject to impairment under HKFRS 9. 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 at the reporting date with the risk of a default occurring on the financial instrument 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 (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; and

- 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 (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 1 year past due, 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 (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, 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 (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.

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.

Derecognition of financial assets

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 for amounts it may have to pay. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. 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. CRITICAL ACCOUNTING JUDGEMENTS 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 judgements, 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.

Critical judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Measurement of ECL

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Selecting appropriate models and assumptions for the measurement of ECL; and

– Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 6. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit-impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgements involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 6 for more details on ECL.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

The followings 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) Measurement of ECL

Impairment assessment under ECL for accounts receivable

The Group uses a provision matrix to calculate ECL for the accounts receivable that result from transactions within the scope of HKFRS 15. The provision rates are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 6.

Impairment assessment under ECL for financial assets at amortised cost other than accounts receivable (including, deposits and other receivables, and cash and cash equivalents)

The impairment assessment under ECL for financial assets at amortised cost (including, deposits and other receivables, and cash and cash equivalents) is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instrument.

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement. For credit-impaired financial assets, the management perform individual assessment for each client by considering various factors, including the realisable value of securities or collaterals from clients and their guarantors which are held by the Group and subsequent settlement and additional collaterals received.

(ii) Forward-looking information

In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of financial assets at amortised cost is disclosed in note 6.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Income taxes

The Group is subject to income taxes in Hong Kong and the People's Republic of China (the "PRC"). Significant judgement 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.

(c) Impairment for goodwill and intangible assets

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 net carrying amounts, of goodwill and intangible assets at 31 March 2020 was Nil (2019: HK$17,715,000) and HK$78,155,000 (2019: HK$180,461,000) respectively. Details of the impairment loss calculation are disclosed in notes 21 and 20.

(d) Estimated impairment of investment in a film right

At the end of the reporting period, the management of the Group assesses the impairment of investment in a film right with reference to its recoverable amount. The assessment was made on a film-by-film basis. The recoverable amount of the investment in a film right was determined based on the present value of the expected future revenue generated from the film less future cost of sales. If the recoverable amount is lower than the carrying amount, the carrying amount of the investment in a film right will be written down to its recoverable amount. Based on the management assessment's on the recoverability of investment in a film right no impairment loss was recognised. As at 31 March 2020, the carrying amount of investment in a film right is HK$2,750,000 (2019: HK$2,750,000). Details of the investment in a film right is disclosed in note 24.

5. 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 2020 and 31 March 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Lease liability	**62**	–
Total borrowing	**62**	–
Less: Cash and cash equivalent	**(5,276)**	(10,475)
Excess of cash and cash equivalent over total borrowings	**(5,214)**	(10,475)
Total equity	**109,749**	218,436
Debt to equity ratio	**N/A**	N/A

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Equity instruments at FVTOCI	**3,410**	11,703
Financial assets held for trading	**13,604**	14,412
Financial assets at amortised cost	**70,444**	97,210
	87,458	123,325
Financial liabilities		
Amortised cost	**40,933**	49,867

b. Financial risk management objectives and policies

The Group major financial instruments include equity instruments at FVTOCI, financial assets held for trading, accounts receivable, deposits and other receivables, cash and cash equivalents, accounts payable and, other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments induce market risk (including foreign currency risk, interest rate risk and other equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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.

6. 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 (2019: 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 at as FVTOCI and financial assets held for trading had been 5% (2019: 5%) higher/lower:

Post-tax loss for the year ended 31 March 2020 would decrease/increase by HK$568,000 (2019: HK$602,000) as a result of the change in fair value of financial assets held for trading; and

Investment revaluation reserve would increase/decrease by HK$170,500 (2019: HK$585,000) for the Group as a result of the change in fair value of equity instruments at FVTOCI.

The Group's sensitivity to equity instruments at FVTOCI and financial assets held for trading has not changed significantly from the prior years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to accounts receivable, deposits, other receivables and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts for accounts receivable. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on accounts balances individually or based on provision matrix. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Accounts receivable from E-commerce

The Group has concentration of credit risk as 69.3% (2019: 48.4%) and 100% (2019: 100%) of the total accounts receivable from E-commerce was due from the Group's largest customer and the five largest customers respectively within the e-commerce. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

Accounts receivable from Advertising

The Group has concentration of credit risk as 4.3% (2019: 4.2%) and 20.4% (2019: 18.8%) of the total accounts receivable from advertising was due from the Group's largest customer and the five largest customers respectively within advertising. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Impairment assessment

In addition, the Group performs impairment assessment under ECL model on account balances individually or based on provision matrix. The accounts receivable is grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Impairment of approximately HK$508,000 (2019: approximately HK$107,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

Cash and cash equivalent

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Deposits and other receivables

For deposits and other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 March 2020 and 2019, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivable	Other financial assets
Low risk	The counter party has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit impaired	12-month ECL
Watch list	The Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit impaired	12-month ECL
Doubtful	There have been significant increase in credit risk since initial recognition information developed internally or external resources	Lifetime ECL – not credit impaired	Lifetime ECL not credit impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Written-off	There is evidence indicating that debtor is severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amounts HK$'000	2019 Gross carrying amounts HK$'000
Financial assets at amortised cost						
Accounts receivable from e-commerce	27	N/A	(note 1)	Lifetime ECL	36,170	27,153
Accounts receivable from advertising	27	N/A	(note 1)	Lifetime ECL	25,724	32,825
Deposits and other receivables	28	N/A	(note 2)	12-month ECL	5,782	28,695
Cash and cash equivalents	29	A1 or above	(note 3)	12-month ECL	5,276	10,475

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes:

(1) For accounts receivable, 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 by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its e-commerce and advertising operation. The following table provides information about the exposure to credit risk for accounts receivable which are assessed based on provision matrix within lifetime ECL (not credit-impaired). Accounts receivable from e-commerce and advertising with carrying amounts of HK$36,170,000 (2019: HK27,153,000) and HK$25,724,000 (2019: HK$32,825,000) respectively are assessed based on provision matrix within lifetime ECL (not credit impaired).

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors are adjusted for forward-looking information that is available without undue cost or effort. During the year ended 31 March 2020, the Group provided HK$767,000 impairment allowance for accounts receivable arising from e-commerce and reversal of impairment loss HK$259,000 for accounts receivable from advertising on provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable from e-commerce under the simplified approach.

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivable from e-commerce:

At 31 March 2020

Internal credit rating	**Average loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Grade 2: Watch list	**3.8**	**34,722**	**(1,333)**
Grade 3: Doubtful	**9.8**	**1,448**	**(142)**
		36,170	**(1,475)**

At 31 March 2019

Internal credit rating	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Grade 1: Low risk	0.7	13,145	(86)
Grade 2: Watch list	3.8	10,835	(417)
Grade 3: Doubtful	6.5	3,173	(205)
		27,153	(708)

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For the year ended 31 March 2020

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(1) *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for accounts receivables from advertising:

At 31 March 2020

Internal credit rating	**Average loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Grade 2: Watch list	**2.6**	**19,752**	**(507)**
Grade 3: Doubtful	**6.9**	**5,972**	**(412)**
		25,724	**(919)**

As at 31 March 2019

Internal credit rating	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Grade 1: Low risk	0.2	4,935	(12)
Grade 2: Watch list	3.9	22,723	(883)
Grade 3: Doubtful	6.5	5,167	(335)
		32,825	(1,230)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(1) *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables from e-commerce under the simplified approach.

	2020 HK$000 Not credit-impaired	2020 HK$000 Credit-impaired	2019 HK$000 Not credit-impaired	2019 HK$000 Credit-impaired
Balance at beginning of the year	**708**	**–**	11,503	–
Adoption of HKFRS 9	**–**	**–**	(10,341)	–
	708	**–**	1,162	–
Impairment loss recognised	**767**	**–**	–	–
Reversal of impairment loss	**–**	**–**	(454)	–
Balance at end of the year	**1,475**	**–**	708	–

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable from advertising under the simplified approach.

	2020 HK$000 Not credit-impaired	2020 HK$000 Credit-impaired	2019 HK$000 Not credit-impaired	2019 HK$000 Credit-impaired
Balance at beginning of the year	**1,230**	**–**	229	–
Adoption of HKFRS 9	**–**	**–**	469	–
	1,230	**–**	698	–
Impairment loss recognised	**–**	**–**	561	–
Reversal of impairment loss	**(259)**	**–**	–	–
Exchange realignment	**(52)**	**–**	(29)	–
Balance at end of the year	**919**	**–**	1,230	–

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(2) Included in deposits and other receivables are amounts representing due from an independent third. The Group assessed the loss allowance for these other receivables and deposits on 12-month ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. There is no fixed repayment terms for deposits and other receivables at years ended 31 March 2020 and 2019.

The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables:

At 31 March 2020

Internal credit rating	**Average loss rate %**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Grade 1: Low risk	**2.0**	**5,782**	**(114)**
		5,782	**(114)**

At 31 March 2019

Internal credit rating	Average loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Grade 1: Low risk	N/A	28,695	–
		28,695	–

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

Credit risk and impairment assessment *(Continued)*

Notes: *(Continued)*

(2) *(Continued)*

The following table shows the movement of loss allowance that has been recognised for deposits and other receivables under the general approach.

	2020 HK$000 Not credit-impaired	2020 HK$000 Credit-impaired	2019 HK$000 Not credit-impaired	2019 HK$000 Credit-impaired
Balance at beginning of the year	–	–	–	–
Adoption of HKFRS 9	–	–	–	–
	–	–	–	–
Impairment loss recognised	117	–	–	–
Exchange realignment	(3)	–	–	–
Balance at end of the year	114	–	–	–

(3) The credit risk on cash and cash equivalents are limited because the counterparties are with high credit ratings assigned by international credit rating agencies. Majority of bank balances are deposited in reputable large commercial banks with credit rating of A1 or above or above issued by Moody's.

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 Group's liquidity position is monitored on a daily basis by management and is reviewed monthly by the directors. The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and lease 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 (2019: within one year or on demand).

7. 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 financial assets and financial liabilities that are not measured at fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

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

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.

Fair value hierarchy

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

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

(ii) 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 *(Continued)*

At 31 March 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets:				
Equity instruments at FVTOCI	**3,410**	**–**	**–**	**3,410**
Financial assets held for trading	**13,604**	**–**	**–**	**13,604**
	17,014	**–**	**–**	**17,014**

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

There were no transfers between Level 1 and 2 or transfer in or out of Level 3 during the both years.

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For the purposes of resources allocation and performance assessment, information is reported to the CODM, 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; and

(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		Results	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**48,835**	56,542	**14,685**	20,904
Movie	**–**	–	**–**	–
E-commerce	**28,281**	33,334	**391**	167
	77,116	89,876	**15,076**	21,071
Other revenue and unallocated gains			**2**	46
Corporate and other unallocated expenses			**(129,502)**	(96,464)
Loss before taxation			**(114,424)**	(75,347)
Income tax – credit			**22,197**	9,443
Loss for the year			**(92,227)**	(65,904)

8. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

There were no inter-segment sales during the year (2019: Nil). Segment results represent the profit earned without allocation of central administration costs including directors' salaries, investment and other income, impairment loss in respect of goodwill, finance costs and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets, other than equity instruments at FVTOCI, by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,589**	20,189	**5,760**	2,800
The PRC	**75,527**	69,687	**78,215**	198,176
	77,116	89,876	**83,975**	200,976

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

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advertising	**109,868**	257,548	**38,502**	96,395
Movie	**5,750**	2,750	**–**	–
E-commerce	**36,723**	27,248	**18,344**	6,343
	152,341	287,546	**56,846**	102,738
Unallocated	**19,976**	39,246	**5,722**	5,618
Consolidated total	**172,317**	326,792	**62,568**	108,356

8. SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

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 2020

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of right-of-use asset	–	–	–	180	180
Depreciation of property, plant and equipment	–	–	40	–	40
Amortisation	6,843	–	–	–	6,843
Impairment loss in respect of intangible assets	86,241	–	–	–	86,241
Impairment loss in respect of goodwill	17,006	–	–	–	17,006

For the year ended 31 March 2019

	Advertising HK$'000	Movie HK$'000	E-commerce HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	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)*

Revenue from its major services

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

	2020 HK$'000	2019 HK$'000
Advertising	**48,835**	56,542
E-commerce	**28,281**	33,334
	77,116	89,876

Information about major customers

Revenue from customers of the years ended 31 March 2020 and 2019 contributing over 10% of the total revenue of the Group are as follows:

	2020 HK$'000	2019 HK$'000
Customer A – E-commerce	***N/A**	16,061
Customer B – E-commerce	**20,269**	13,145

There is no other single customer contributing over 10% of total revenue of the Group for the years ended 31 March 2020 and 2019.

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

9. REVENUE

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

Disaggregation of revenue from contracts with customers

	2020 HK$'000	2019 HK$'000
Revenue:		
Advertising	48,835	56,542
E-commerce	28,281	33,334
Revenue from contracts with customers	77,116	89,876

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Point in time	28,281	33,334
Over time	48,835	56,542
	77,116	89,876

Performance obligations for contracts with customers

a) Advertising

Revenue from advertising is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

b) E-commerce

Revenue from e-commerce is therefore recognised at a point in time when the goods is delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to customers from e-commerce.

10. OTHER REVENUE AND OTHER GAINS OR LOSSES

	2020 HK$'000	2019 HK$'000
Other revenue:		
Sundry income	**2**	46
Other gains or losses:		
Net unrealised loss of financial assets held for trading	**(4,137)**	(5,252)
Net realised gain/(loss) of financial assets held for trading	**103**	(510)
Exchange loss	**(26)**	(21)
Reversal of provision	**3,347**	–
Impairment loss in respect of		
– goodwill	**(17,006)**	(23,294)
– accounts receivable	**(508)**	(107)
– other receivable	**(117)**	–
– intangible assets	**(86,241)**	(37,236)
	(104,585)	(66,420)

11. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on lease liability	**8**	–

12. LOSS BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
Auditors' remuneration	**730**	730
Depreciation of property, plant and equipment	**40**	88
Depreciation of right-of-use asset	**180**	–
Amortisation	**6,843**	7,130
Staff costs (excluding directors' remuneration)		
– wages and salaries	**1,324**	2,039
– Pension scheme contributions	**66**	–
– Equity-settled share-based payments expenses	**2,472**	–
	3,862	2,039
Minimum lease payments under operating leases:		
– land and building	**–**	408
Expenses related to short-term lease:		
– office premises	**159**	–
Equity-settled share-based payments expenses		
– consultants	**550**	–

13. DIRECTORS' EMOLUMENTS

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

	Fees		Salaries and other benefits		Pension scheme contributions		Equity-settled share-based payments expenses		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Executive Directors										
Ms. Sun Wei	**–**	–	**240**	240	**12**	8	**334**	–	**586**	248
Ms. Man Qiaozhen	**–**	–	**180**	180	**9**	6	**334**	–	**523**	186
	–	–	**420**	420	**21**	14	**668**	–	**1,109**	434
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**	420	**21**	14	**668**	–	**1,445**	770

No emoluments were paid by the Group to the directors or as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 March 2020 (2019: Nil). There were no directors have waived or agreed to waive any emoluments during the year (2019: Nil).

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: four) were directors of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining three (2019: one) individual was as follows:

	2020 HK$'000	2019 HK$'000
Wages and salaries	**180**	120
Equity-settled share-based payments expenses	**1,236**	–
	1,416	120

The emolument of three (2019: one) individual with the highest emolument is within the following band:

	Number of individuals 2020	 2019
Nil – HK$1,000,000	**3**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: Nil). There were no five highest paid individuals have waived or agreed to waive any emoluments during the year (2019: Nil).

15. INCOME TAX – CREDIT

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities are not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

15. INCOME TAX – CREDIT *(Continued)*

For the year ended 31 March 2020, Hong Kong Profits Tax was calculated at a flat rate of 16.5% (2019: No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong).

	2020 HK$'000	2019 HK$'000
Current tax		
Provision for the year		
– PRC enterprise income tax	**–**	1,648
– Hong Kong profits tax	**1,409**	–
Over provision in prior years		
– Hong Kong profits tax	**(335)**	–
	1,074	1,648
Deferred tax		
– Original and reversal of temporary difference	**(23,271)**	(11,091)
	(22,197)	(9,443)

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:

	2020					
	Hong Kong		PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before taxation	(3,043)		(111,381)		(114,424)	
Tax at applicable tax rate	(502)	16.5	(27,845)	25	(28,347)	24.8
Tax effect of expenses not deductible of tax purpose	709	(23.3)	25,810	(23.2)	26,519	(23.2)
Tax effect of tax losses not recognised	1,196	(39.3)	–	–	1,196	(1.0)
Tax effect of deductible temporary difference not recognised	7	(0.2)	(21,237)	19.1	(21,230)	18.6
Over provision in respect of prior years	(335)	11.0	–	–	(335)	0.3
Tax credit at the Group's effective rate	1,075	(35.3)	(23,272)	20.9	(22,197)	19.4

15. INCOME TAX – CREDIT *(Continued)*

	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

16. DIVIDENDS

No dividend was declared or paid by the Company to its shareholders during the year (2019: Nil), nor has any dividend been declared since the end of the reporting period (2019: Nil).

17. LOSS PER SHARE

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

	2020	2019
	HK$'000	HK$'000
Loss		
Loss for the year and attributable to the owners of the Company	**(92,227)**	(65,904)

	2020	2019
	'000	'000
		(Restated)
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**490,721**	490,721

The computation of diluted loss per share for the years ended 31 March 2019 and 2020 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.

On 21 May 2020, the Company completed a share consolidation which involved the consolidation of every twenty ordinary shares of the Company of HK$0.02 each into one consolidated share of HK$0.4 each. For the years ended 31 March 2020 and 2019, the weighted average number of ordinary shares has been adjusted for the effect of the share consolidation.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Cost:			
At 1 April 2018, 31 March 2019, at 1 April 2019 and 31 March 2020	13	441	454
Accumulated depreciation and impairment			
At 1 April 2018	13	303	316
Provided for the year	–	88	88
At 31 March 2019 and at 1 April 2019	13	391	404
Provided for the year	–	40	40
At 31 March 2020	13	431	444
Net carrying amount:			
At 31 March 2020	**–**	**10**	**10**
At 31 March 2019	–	50	50

19. RIGHT-OF-USE ASSET

	Office HK$'000
Cost:	
At 1 April 2019 (restated) and 31 March 2020	240
Accumulated depreciation	
At 1 April 2019	–
Charge for the year	180
At 31 March 2020	180
Net carrying amount:	
At 31 March 2020	**60**
Expense relating to short-term leases and within 12 months of the date of initial application of HKFRS 16	159
Total cash outflow for leases	345

The Group leases an office for its operations. Lease contracts are entered into for fixed term of 2 years.

20. INTANGIBLE ASSETS

	Operating license HK$'000	Computer software and application HK$'000	Total HK$'000
Cost:			
At 1 April 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
Exchange realignment	(9,006)	(6,478)	(15,484)
At 31 March 2020	131,778	94,783	226,561
Accumulated amortisation:			
At 1 April 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
Provided for the year	6,843	–	6,843
Impairment loss recognised	59,569	26,672	86,241
Exchange realignment	(3,215)	(3,047)	(6,262)
At 31 March 2020	87,552	60,854	148,406
Net carrying amount:			
At 31 March 2020	**44,226**	**33,929**	**78,155**
At 31 March 2019	116,429	64,032	180,461

20. 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 15.75 years (2019: 16.75 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 22.

21. GOODWILL

	2020 **HK$'000**	2019 HK$'000
Cost:		
At 1 April	**732,120**	736,831
Exchange realignment	**(4,411)**	(4,711)
At 31 March	**727,709**	732,120
Accumulated impairment losses:		
At 1 April	**714,405**	693,026
Impairment loss recognised for the year	**17,006**	23,294
Exchange realignment	**(3,702)**	(1,915)
At 31 March	**727,709**	714,405
Net carrying amount:		
At 31 March	**–**	17,715

22. 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:

	2020 **HK$'000**	2019 HK$'000
Advertising at website	–	17,715
Advertising at marketing platform	–	–
	–	17,715

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

Dynamic Thinker Limited

The goodwill of Dynamic Thinker Limited ("Dynamic Thinker") arose from the acquisition of Dynamic Thinker during the year ended 31 March 2016. Dynamic Thinker principally engaged in operating a website since August 2015. Dynamic Thinker has been granted the sole and exclusive rights to operate, to manage and to maintain the website for 20 years commencing from 5 August 2015. Under the license agreement entered by Dynamic Thinker, Dynamic Thinker is entitled to exploit the website and enjoy all rights and benefits deriving from the website during the license period, i.e. 20 years commencing from 5 August 2015. The website provides internet advertising service to customers in the Mainland China, and provides advertising income to the Group.

In preparing the consolidated financial statements for the years ended 31 March 2020 and 31 March 2019, the Group have engaged an external valuer to perform valuation on 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 13.5% (2019: 17%); in addition, those expected cash flows beyond 5-year period contain 3% (2019: 3%) growth rate. This growth rate is based on the industry in which the CGU 1 operates.

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

Dynamic Thinker Limited *(Continued)*

In preparing the consolidated financial statements for the year ended 31 March 2020, the Group determined the impairment assessment on the goodwill arose from the acquisition of Dynamic Thinker on annual basis by reference from the recoverable amount which is referenced to the external valuer. In the impairment assessment, the Group prepared a cash flow projection for Dynamic Thinker, in which the revenue generated in 2020 is lower than the projection previously budgeted, after taking the consideration of the change in the advertising channel from internet to popular social media platforms, such as WeChat, Weibo or QQ, and also affect by the COVID-19 outbreak.

As the recoverable amount of CGU 1 was below its carrying amount, an impairment loss in respect of goodwill and intangible asset of approximately HK$17,006,000 (2019: HK$15,804,000) and approximately HK$59,569,000 (2019: Nil) 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.

Group Wise Holdings Limited

The goodwill of Group Wise Holdings Limited ("Group Wise") arose from the acquisition of Group Wise during the year ended 31 March 2020. Group Wise is principally engaged in provision of communication marketing platform services in the Mainland China. Group Wise generated income from provision of services to its customers, restaurants located in the Mainland China, which could use the electronic platform to communicate with their customers via WeChat, and provide services, including but not limited to table reservation, meal ordering or payment service.

In preparing the consolidated financial statements for the years ended 31 March 2020 and 31 March 2019, we have engaged an external valuer to perform valuation on 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 15% (2019: 14%); in addition, those expected cash flows beyond 5-year period contain 3% (2019: 3%) growth rate. This growth rate is based on the industry in which the CGU 2 operates.

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

Group Wise Holdings Limited *(Continued)*

In preparing the consolidated financial statements for the year ended 31 March 2019, the Group determined the impairment assessment on the goodwill arose from the acquisition of Group Wise on annual basis by reference from the recoverable amount which is referenced to the external valuer. During the year ended 31 March 2020, the financial performance of Group Wise was not as good as expected as the cashflow projection performed in 2019 due to the COVID-19 outbreak. The actual revenue 2020 was decreased by 21% as compared to the revenue projected in 2019. As a result, the cash flow projection performed in 2020 considered the actual financial performance for the year ended 31 March 2020 and adopted a lower average revenue growth rate of 9% (2019: 19%).

As the recoverable amount of CGU 2 was below its carrying amount, an impairment loss in respect of goodwill and intangible asset of Nil (2019: HK$7,490,000) and approximately HK$26,672,000 (2019: HK$37,236,000) 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.

23. EQUITY INSTRUMENTS AT FVTOCI

	2020 **HK$'000**	2019 HK$'000
Equity securities listed in Hong Kong (note)	**3,410**	11,703

Notes:

The fair value of the listed equity investments is based on the quoted market prices available on the Stock Exchange. During the year ended 31 March 2020, the fair value loss recognised in other comprehensive income and accumulated in investment revaluation reserve amounted to approximately HK$8,293,000 (2019: HK$3,004,000).

24. PREPAYMENTS FOR ACQUISITION OF FILM RIGHT/INVESTMENT IN A FILM RIGHT

Prepayments for acquisition of film right

	2020 HK$'000	2019 HK$'000
Non-current	3,000	–

Amount represents prepayment for exclusive rights to distribute, exhibit, license, sell and otherwise exploit in a film for a period of six years. The amount for a film that are expected to broadcast or take place after twelve months from the end of the reporting period is classified as non-current assets.

Investment in a film right

	2020 HK$'000	2019 HK$'000
Cost		
At 1 April 2018, 31 March 2019 and 31 March 2020	2,750	2,750

Amount represents a profit sharing rights in a film. At 31 March 2020 and 2019, management of the Company considered the expected future income of the film right can cover the film cost.

25. FINANCIAL ASSETS HELD FOR TRADING

	2020 HK$'000	2019 HK$'000
Held-for-trading investments include:		
Equity securities listed in Hong Kong	13,604	14,412

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

At 31 March 2020 and 2019, none of the equity security listed in Hong Kong represented more than 5% of the Group's total assets.

26. 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/ Hong Kong	HK$1,000, 1,000 ordinary shares	–	100%	E-commerce
Capital Marks Limited	British Virgin Islands/ Hong Kong	US$1,000, 1,000 shares of US$1 each	100%	–	Investment holding
Dynamic Thinker Limited	British Virgin Islands/ PRC	US$1, 1 share of US$1 each	100%	–	Operating website
FingerAd Media Company Limited	Hong Kong/ Hong Kong	HK$1, 1 ordinary share	–	100%	Food and beverages industry advertising business and movie production
Huge Leader Development Limited	British Virgin Islands/ Hong Kong	US$256,410, 256,410 shares of US$1 each	–	100%	Investment holding
Prospect Vantage Investment Limited	British Virgin Islands/ Hong Kong	US$100, 100 ordinary shares of US$1 each	100%	–	Investment holding
Recent Value Limited	British Virgin Islands/ Hong Kong	US$100, 100 shares of US$1 each	100%	–	Investment holding
Group Wise Holdings Limited	Hong Kong/ PRC	HK$100, 100 ordinary shares	–	100%	Provision of communication marketing platform services
BP Credit Limited	Hong Kong/ Hong Kong	HK$10,000, 10,000 ordinary shares	–	100%	Inactive

None of the subsidiaries had any debt securities outstanding at end of the year or at any time during the year.

27. ACCOUNTS RECEIVABLE

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:

	2020 HK$'000	2019 HK$'000
Within 30 days	**3,664**	5,238
31-60 days	**2,927**	8,169
61-90 days	**4,403**	13,084
91-365 days	**38,885**	29,642
Over 365 days	**12,015**	3,845
	61,894	59,978
Less: Impairment loss in respect of accounts receivable	**(2,394)**	(1,938)
	59,500	58,040

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	**884**	1,465
Deposits	**–**	75
Other receivables	**5,668**	28,620
	6,552	30,160

For the year ended 31 March 2020, impairment of other receivables of approximately HK$117,000 (2019: Nil) has been included in the consolidated statement of profit or loss and other comprehensive income.

29. CASH AND CASH EQUIVALENTS

At 31 March 2020, all cash and cash equivalents are denominated in Hong Kong Dollars.

30. ACCOUNTS PAYABLE

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

	2020 HK$'000	2019 HK$'000
0-30 days	**1,799**	2,674
31-60 days	**1,681**	3,281
61-365 days	**17,337**	16,808
Over 365 days	**2,125**	–
	22,942	22,763

31. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Other payables	**10,493**	22,997
Accruals	**7,498**	4,107
	17,991	27,104

32. PROVISION

(a) Litigation of HCA 10/2018, HCA 15/2018, HCA 19/2018 and HCA 1874/2015

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.

The Company entered into a settlement agreement with plaintiff on 18 May 2020 and the Company paid a sum of HK$200,000 in full to settle all Litigation. During the year ended 31 March 2020, a reversal of provision in respect of such claim amounting to HK$3,347,000 (2019: provision in respect of such claim amounting to HK$3,547,000) was recognised in consolidated financial statement.

(b) Litigation of HCA 1423/2015

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.

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.

33. LEASE LIABILITY

The exposure of the Group's lease liability are as follows:

	2020 HK$'000
Current	**62**
Non-current	**–**
	62

	Minimum lease payments HK$'000	Present value of lease liability HK$'000
Minimum lease payment due:		
– Within one year	62	62
– more than one year but not more than two years	–	–
– more than two years but not more than five years	–	–
	62	62
Future finance charges	–*	
Present value of lease liability	62	
Amounts due for settlement within one year (shown under current liability)		(62)
Amounts due for settlement after one year		–

* Less than HK$1,000

34. DEFERRED TAX LIABILITIES

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

	Fair value adjustments arising from acquisition of subsidiaries HK'000
At 1 April 2018	(60,044)
Credit to profit or loss	11,091
Exchange realignment	3,837
At 31 March 2019 and 1 April 2019	(45,116)
Credit to profit or loss	23,271
Exchange realignment	2,307
At 31 March 2020	**(19,538)**

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:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**–**	–
Deferred tax liabilities	**(19,538)**	(45,116)
	(19,538)	(45,116)

At the end of the reporting period, the Group has unused tax losses arising in Hong Kong of approximately HK$336,502,000 (2019: HK$329,254,000). 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$6,083,000 (2019: HK$7,760,000) 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.

35. SHARE CAPITAL

	2020 HK$'000	2019 HK$'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

36. NON-VOTING CONVERTIBLE PREFERENCE SHARES

	2020 HK$'000	2019 HK$'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	**–**	–

37. 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 2020, the Company granted 981,400,000 (2019: Nil) 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.

37. SHARE OPTION SCHEMES *(Continued)*

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.

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 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 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 98,142,000 shares.

37. SHARE OPTION SCHEMES *(Continued)*

The following table summaries the movements in the Company's share options during the year ended 31 March 2020.

	Grant date	At 1 April 2018	At 31 March 2019	Granted during the year	At 31 March 2020	Exercise period	Exercise price per share HK$
Executive Directors							
Sun Wei	21 August 2019	–	–	98,140,000	98,140,000	21 August 2019 – 20 August 2025	0.02
Man Qiaozhen	21 August 2019	–	–	98,140,000	98,140,000	21 August 2019 – 20 August 2025	0.02
Other eligible employees	2 August 2017	98,140,000	98,140,000	–	98,140,000	2 August 2017 – 28 August 2024	0.02
	21 August 2019	–	–	588,840,000	588,840,000	21 August 2019 – 20 August 2025	0.02
Consultants	2 August 2017	883,300,000	883,300,000	–	883,300,000	2 August 2017 – 28 August 2024	0.02
	21 August 2019	–	–	196,280,000	196,280,000	21 August 2019 – 20 August 2025	0.02
		981,440,000	981,440,000	981,400,000	1,962,840,000		

Notes:

(1) The share options granted on 2 August 2017 and 21 August 2019 were fully vested immediately.

(2) No option were exercised during the years ended 31 March 2019 and 2020.

(3) As at 31 March 2020, the number of shares issuable under the share options granted under the Share Option Scheme was 1,962,840,000 (2019: 981,440,000).

(4) The weighted average remaining contractual life of the share options outstanding is 4.90 years (2019: 5.41 years).

37. SHARE OPTION SCHEMES *(Continued)*

During the year ended 31 March 2020, share option expenses related to the Share Option Scheme were valued at approximately HK$3,690,000 (2019: Nil) and are charged to the consolidated statement of profit or loss. The fair value of the share options granted on 21 August 2019 and 2 August 2017 is measured based on the Binomial option pricing model with the following assumptions:

	21 August 2019	2 August 2017
Price per share at date of grant	HK$0.015	HK$0.017
Exercise price per share	HK$0.02	HK$0.02
Annual risk-free interest rate	1.830%	0.530%
Historical volatility	79.273%	103.725%
Life of options	6.00 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.

38. 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.

39. 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
Within one year	186
In the second to fifth years inclusive	62
	248

40. CAPITAL COMMITMENTS

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

	2020 **HK$'000**	2019 HK$'000
Contracted, but not provided for:		
License fee	**657**	2,807
Acquisition of a film right	**10,000**	–
	10,657	2,807

41. 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:

	2020 **HK$'000**	2019 HK$'000
Salaries and other short-term employee benefits	**777**	770
Equity-settled share-based payments expenses	**668**	–
	1,445	770

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liability HK$'000
At 1 April 2018 and 31 March 2019	–
Adjustment upon application of HKFRS 16	240
At 1 April 2019 (restated)	240
Changes from financing cash flows	
Interest paid	(8)
Repayment of lease liability	(178)
Other changes	
Finance cost	8
At 31 March 2020	62

43. 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.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current assets		
Interest in subsidiaries	**86,559**	193,759
Current assets		
Prepayments, deposits and other receivables	**999**	789
Amount due from subsidiaries	**6,218**	–
Cash and cash equivalents	**1,552**	8,764
	8,769	9,553
Total assets	**95,328**	203,312
EQUITY		
Capital and reserves		
Share capital	**196,288**	196,288
Reserves	**(106,602)**	1,409
Total equity	**89,686**	197,697
LIABILITIES		
Current liabilities		
Other payables and accruals	**5,442**	2,068
Provision	**200**	3,547
Total liabilities	**5,642**	5,615
Total equity and liabilities	**95,328**	203,312
Net current assets	**3,127**	3,938
Net assets	**89,686**	197,697

Approved and authorised for issue and signed by the Board of Directors on 29 June 2020.

SUN Wei
Director

MAN Qiaozhen
Director

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

44. 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 2018	1,233,312	3,651	(1,164,861)	72,102
Loss and total comprehensive expenses for the year	–	–	(70,693)	(70,693)
At 31 March 2019 and at 1 April 2020	1,233,312	3,651	(1,235,554)	1,409
Loss and total comprehensive expenses for the year	–	–	(111,701)	(111,701)
Recognition of equity-settled share-based payment	–	3,690	–	3,690
At 31 March 2020	1,233,312	7,341	(1,347,255)	(106,602)

45. EVENTS AFTER REPORTING PERIOD

Litigation of HCA 10/2018, HCA 15/2018, HCA 19/2018 and HCA 1874/2015

The Company entered into a settlement agreement with the plaintiff on 18 May 2020 and the Company paid a sum of HK$200,000 in full to settle all litigations.

Capital reorganisation

Reference is made to the circular of the Company dated 26 March 2020 (the "Circular") and the announcements of the Company dated 23 April 2020 and 10 June 2020 relating to (a) the share consolidation which every twenty (20) issued and unissued Existing Shares of par value HK$0.02 each in the share capital of the Company consolidated into one (1) Consolidated Share of par value HK$0.4 each in the share capital of the Company; and (ii) every twenty (20) issued and unissued Preference Shares of par value HK$0.07 each in the share capital of the Company consolidated into one (1) Consolidated Preference Share of par value HK$1.40 each in the share capital of the Company (the "Share Consolidation"); and (b) the capital reduction and share sub-division which each of the authorised but unissued Consolidated Shares of par value HK$0.4 each and the authorised but unissued Consolidated Preference Shares of par value HK$1.40 each be sub-divided into ten (10) New Shares of par value HK$0.04 each and ten (10) New Preference Shares of par value HK$0.14 each respectively (the "Capital Reduction and the Share Sub-division"). Unless the context otherwise requires, terms used in this note shall have the same meanings as those defined in the Circular.

Subsequent to the year end date of 31 March 2020, the Share Consolidation became effective on 21 May 2020 and the petition hearing for confirmation of the Capital Reduction and the Share Sub-division will be held on 23 July 2020 (Cayman Islands time) at the Court.

For further details, please refer to the Circular.

46. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 June 2020.

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				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**77,116**	89,876	101,155	64,622	38,135
(Loss)/Profit from operations	**(114,416)**	(75,347)	(407,367)	(279,207)	197,359
Finance costs	**(8)**	–	–	–	(12,324)
(Loss)/Profit before tax	**(114,424)**	(75,347)	(407,367)	(279,207)	185,035
Taxation	**22,197**	9,443	48,694	15,769	(61,785)
(Loss)/Profit after tax	**(92,227)**	(65,904)	(358,673)	(263,438)	123,250
(Loss)/Profit for the year and attributable to owners of the Company	**(92,227)**	(65,904)	(358,673)	(263,438)	123,250

ASSETS AND LIABILITIES

	At 31 March				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**172,317**	326,792	399,730	901,157	1,095,802
Total liabilities	**(62,568)**	(108,356)	(107,051)	(268,796)	(190,308)
Net assets	**109,749**	218,436	292,679	632,361	905,494