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CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00343)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The Board of Directors (the “Directors”) of Culturecom Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2020 together with the comparative figures for the corresponding year of 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	NOTES	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing operations			
Revenue	3	154,099	18,206
Cost of sales		(129,767)	(6,441)
Gross profit		24,332	11,765
Other income	4	2,520	2,511
Other gains or losses	5	(4,218)	(3,134)
Selling and distribution expenses		(11,890)	(2,805)
Administrative expenses		(46,097)	(29,588)
Finance cost	6	(1,404)	—
Other impairment losses	7	(20,733)	—
Impairment loss under expected credit loss (“ECL”) model		(3,629)	(215)
Share of (loss) profit of an associate		(172)	247
Loss before tax	9	(61,291)	(21,219)
Income tax credit	10	155	6
Loss for the year from continuing operations		(61,136)	(21,213)

	<i>NOTE</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Discontinued operations			
Loss for the year from discontinued operations		<u>(2,601)</u>	<u>(10,827)</u>
Loss for the year		<u>(63,737)</u>	<u>(32,040)</u>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange (loss) gain on translation of financial statements of foreign operations		<u>(6,666)</u>	<u>689</u>
Other comprehensive (expense) income for the year		<u>(6,666)</u>	<u>689</u>
Total comprehensive expense for the year		<u>(70,403)</u>	<u>(31,351)</u>
Loss for the year attributable to owners of the Company:			
— from continuing operations		<u>(55,634)</u>	<u>(20,508)</u>
— from discontinued operations		<u>(2,601)</u>	<u>(10,827)</u>
		<u>(58,235)</u>	<u>(31,335)</u>
Loss for the year attributable to non-controlling interests from continuing operations		<u>(5,502)</u>	<u>(705)</u>
		<u>(63,737)</u>	<u>(32,040)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<u>(63,739)</u>	<u>(31,392)</u>
Non-controlling interests		<u>(6,664)</u>	<u>41</u>
		<u>(70,403)</u>	<u>(31,351)</u>
Loss per share	<i>12</i>		
From continuing and discontinued operations			
Basic (HK cents)		<u>(4.2)</u>	<u>(2.3)</u>
From continuing operations			
Basic (HK cents)		<u>(4.0)</u>	<u>(1.5)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		993	837
Right-of-use assets		1,825	—
Goodwill	13	12,126	19,949
Interest in an associate		1,218	1,390
Intangible assets	14	7,454	6,162
Film right		—	117
Rental deposits	16	108	555
Financial assets at fair value through profit or loss (“FVTPL”)		715	5,379
		24,439	34,389
Current assets			
Inventories		35,644	35,786
Trade receivables	15	23,128	9,969
Other receivables, deposits and prepayments	16	24,813	12,583
Tax recoverable		1,262	1,262
Pledged bank deposit		23,261	—
Bank balances and cash		154,000	220,370
		262,108	279,970
Current liabilities			
Trade payables	17	6,236	737
Other payables and accrued charges	17	29,911	9,932
Contract liabilities		1,384	114
Lease liabilities		1,994	—
Bank borrowings	18	8,749	—
		48,274	10,783
Net current assets		213,834	269,187
Total assets less current liabilities		238,273	303,576
Non-current liabilities			
Deferred tax liabilities		1,742	1,384
Lease liabilities		812	—
		2,554	1,384
Net assets		235,719	302,192
Capital and reserves			
Share capital		13,907	13,907
Share premium and reserves		206,962	270,842
Equity attributable to owners of the Company		220,869	284,749
Non-controlling interests		14,850	17,443
Total equity		235,719	302,192

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (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 and by disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

In prior years, the Group was engaged in catering business through Sai Van Club Management Services Co. Ltd* (西灣會所管理服務有限公司) (“Sai Van Club”), a wholly-owned subsidiary of the Group. The operation for catering business was discontinued with effect from 10 March 2020. Accordingly, the results of the subsidiary’s operation for the period ended 9 March 2020 and year ended 31 March 2019 have been separately presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 March 2019, the operation for development of multi-media application through Ucan Commercial Limited (“Ucan Commercial”) and its subsidiary (collectively referred to as the “Ucan Commercial Group”), was discontinued with effect from 29 March 2019. Accordingly, the results of the subsidiaries’ operation for the period ended 28 March 2019 have been separately presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

In view of the Group’s continuous expansion in digital marketing business in the PRC, the Directors reassessed the functional currency of the Company and considered paragraph 9 of HKAS 21 *The Effects of Changes in Foreign Exchange Rates* (“HKAS 21”) together with the other factors set out in paragraph 10 of HKAS 21. The Directors have determined that RMB better reflects the economic substance of the Company and its business activities as an investment holding company with subsidiaries mainly operating in the PRC. Accordingly, the functional currency of the Company was prospectively changed from HK\$ to RMB.

The consolidated financial statements are presented in Hong Kong dollars.

In order to provide a more comprehensive and informative presentation of the results of the Group to the financial statements users, the management has reconsidered the presentation of the consolidated statement of profit or loss and other comprehensive income. During the year ended 31 March 2020, all the expenses have been presented according to their function on the face of the consolidated statement of profit or loss and other comprehensive income. As a result, the relevant amounts of salaries and allowances, other expenses and depreciation expenses have been presented as direct costs as part of “cost of sales” or according to their function as “Selling expenses” or “Administrative expenses”. Accordingly, the relevant comparative amounts of salaries and allowances, other expenses, depreciation expenses, operating lease rentals in respect of rental premises and impairment loss on film right have been represented to conform with the current year’s presentation.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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 HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 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 for the application of HKFRS 16 *Leases*, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

Continuing operations

Disaggregation of revenue from contracts with customers

	Year ended 31 March 2020				
	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Time of revenue recognised:					
At a point in time					
— Comic books sales	4,449	—	—	—	4,449
— Royalty income from IPs licensing	3,884	—	—	—	3,884
— Operation of digital cinema	—	811	—	—	811
— New media advertising revenue	—	—	121,762	—	121,762
— IPs digitalisation for production	—	—	9,358	—	9,358
— Sales of wine	—	—	—	134	134
Over time					
— Social media marketing	—	—	13,701	—	13,701
Total	<u>8,333</u>	<u>811</u>	<u>144,821</u>	<u>134</u>	<u>154,099</u>
Principal	8,333	811	144,377	134	153,655
Agent	—	—	444	—	444
Total	<u>8,333</u>	<u>811</u>	<u>144,821</u>	<u>134</u>	<u>154,099</u>
Geographical markets:					
Hong Kong (place of domicile)	8,333	—	—	134	8,467
The PRC	—	811	144,821	—	145,632
Total	<u>8,333</u>	<u>811</u>	<u>144,821</u>	<u>134</u>	<u>154,099</u>

Year ended 31 March 2019

	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Total <i>HK\$'000</i> (Restated)
Time of revenue recognised:					
At a point in time					
— Comic books sales	4,688	—	—	—	4,688
— Royalty income from IPs licensing	6,371	—	—	—	6,371
— Operation of digital cinema	—	1,337	—	—	1,337
— Digital marketing revenue	—	—	5,784	—	5,784
— Sales of wine	—	—	—	26	26
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>18,206</u>
Principal	11,059	1,337	4,703	26	17,125
Agent	—	—	1,081	—	1,081
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>18,206</u>
Geographical markets:					
Hong Kong (place of domicile)	11,059	—	—	26	11,085
The PRC	—	1,337	5,784	—	7,121
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>18,206</u>

4. OTHER INCOME**Continuing operations**

During the year ended 31 March 2020, other income included bank interest income of HK\$2,414,000 (2019: HK\$1,459,000).

5. OTHER GAINS OR LOSSES

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Loss on fair value change of financial assets at FVTPL	(4,393)	(1,701)
Net foreign exchange loss	(684)	(1,433)
Gain on deregistration of a subsidiary	792	—
Gain on disposal of subsidiaries	67	—
	<u>(4,218)</u>	<u>(3,134)</u>

6. FINANCE COST

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interests on bank borrowings	453	—
Interests on lease liabilities	190	—
Interests on advances from independent third parties	761	—
	<u>1,404</u>	<u>—</u>

7. OTHER IMPAIRMENT LOSSES

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Impairment loss recognised in respect of		
— goodwill (<i>Note 13</i>)	(8,941)	—
— prepayments	(10,574)	—
— property, plant and equipment	(167)	—
— right-of-use assets	(1,051)	—
	<u>(20,733)</u>	<u>—</u>

8. SEGMENT INFORMATION

Information reported to the executive directors, being the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reportable segments from continuing operations under HKFRS 8 *Operating Segments* are as follows:

- Publishing and IPs licensing: publication of comic books and royalty income from licensing IPs of comics.
- Online and social business: operation of digital cinema and film production.
- Digital marketing: providing digital marketing and communication, IP digitalisation and agency of IP services in the PRC.
- Retailing and wholesales: retailing of wine in Hong Kong.

For the year ended 31 March 2020, Sai Van Club Management Services Co. Ltd* (西灣會所管理服務有限公司) ("Sai Van Club") was disposed and its operation in catering services is presented as a discontinued operation. Details of the discontinued operation is further set out in Note 20.

During the year ended 31 March 2019, the Group commenced the business in digital marketing through acquisition of a subsidiary.

For the year ended 31 March 2019, Ucan Commercial Group was disposed and its operation in development of multi-media application under the online and social business is presented as a discontinued operation.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segments.

* English name is for identification purpose only.

For the year ended 31 March 2020

Continuing operations

	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>8,333</u>	<u>811</u>	<u>144,821</u>	<u>134</u>	<u>154,099</u>
Segment results	<u>(3,344)</u>	<u>(657)</u>	<u>(24,603)</u>	<u>(418)</u>	<u>(29,022)</u>
Unallocated expenses					(19,178)
Unallocated income					1,233
Other gains and losses					<u>(14,324)</u>
Loss before tax from continuing operations					<u>(61,291)</u>

For the year ended 31 March 2019 (restated)

Continuing operations

	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>18,206</u>
Segment results	<u>2,585</u>	<u>(1,481)</u>	<u>(5,396)</u>	<u>(927)</u>	<u>(5,219)</u>
Unallocated expenses					(15,319)
Unallocated income					2,128
Other losses					<u>(2,809)</u>
Loss before tax from continuing operations					<u>(21,219)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss) profit before tax incurred by each segment without the allocation of certain other income, gain on disposal of subsidiaries, gain on deregistration of a subsidiary, loss on fair value change of financial assets at FVTPL, share of (loss) profit of an associate and unallocated corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As the Group's assets and liabilities are only reviewed by the CODM as a whole and hence no analysis of the Group's assets and liabilities by operating segments is disclosed.

Other segment information

For the year ended 31 March 2020

Continuing operations

	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:							
Amortisation of intangible assets	—	—	557	—	557	—	557
Amortisation of film rights	—	117	—	—	117	—	117
Bank interest income	(62)	(3)	(658)	—	(723)	(1,691)	(2,414)
Depreciation of property, plant and equipment	162	144	203	—	509	104	613
Depreciation of right-of-use assets	781	—	1,862	—	2,643	2,331	4,974
Impairment loss under ECL model	2,731	—	898	—	3,629	—	3,629
Impairment loss on property, plant and equipment	116	—	51	—	167	—	167
Impairment loss on right-of-use assets	89	—	962	—	1,051	—	1,051
Amounts regularly provided to the CODM							
Addition to non-current assets (Note)	<u>194</u>	<u>137</u>	<u>6,140</u>	<u>—</u>	<u>6,471</u>	<u>438</u>	<u>6,909</u>

For the year ended 31 March 2019 (restated)

Continuing operations

	Publishing and IPs licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:							
Amortisation of intangible assets	—	—	295	—	295	—	295
Amortisation of film rights	—	540	—	—	540	—	540
Bank interest income	(88)	(7)	(22)	—	(117)	(1,339)	(1,456)
Depreciation of property, plant and equipment	129	123	13	23	288	94	382
Impairment loss on film right	—	963	—	—	963	—	963
Impairment loss under ECL model	40	—	175	—	215	—	215
Amounts regularly provided to the CODM							
Addition to non-current assets <i>(Note)</i>	<u>293</u>	<u>57</u>	<u>24,713</u>	<u>—</u>	<u>25,063</u>	<u>37</u>	<u>25,100</u>

Note: Non-current assets excluded those relating to discontinued operations and excluded financial instruments.

Geographic information

The Group's continuing operations are located in the PRC, including Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of goods physically delivered to or location of services provided to the customers and information about its non-current assets is based on geographical location of the assets.

	Revenue from external customers from continuing operations		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Hong Kong (place of domicile)	8,467	11,085	2,340	4,530
The PRC	145,632	7,121	21,276	24,285
Macau	—	—	—	195
	<u>154,099</u>	<u>18,206</u>	<u>23,616</u>	<u>29,010</u>

Note: Non-current assets excluded those relating to financial instruments, including financial assets at FVTPL and rental deposits (2019: financial assets at FVTPL).

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Comic books	4,449	4,688
Premium wine	134	26
Royalty income	3,884	6,371
Digital cinema operation	811	1,337
Digital marketing	<u>144,821</u>	<u>5,784</u>
	<u>154,099</u>	<u>18,206</u>

9 LOSS BEFORE TAX

Continuing operations

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	5,531	5,053
Other staff costs:		
— Retirement benefit scheme contributions	662	278
— Salaries and other benefits	20,397	12,042
	<u>26,590</u>	<u>17,373</u>
Auditor's remuneration		
— Audit services	2,380	1,352
— Non-audit services	550	132
Amortisation of film right (included in cost of sales)	117	540
Consultancy and other professional fees (included in administrative expenses) (<i>Note</i>)	1,287	1,263
Cost of inventories recognised as expenses	2,891	2,002
Costs to fulfil the contracts with customers	128,353	2,322
Depreciation of property, plant and equipment	613	382
Depreciation of right-of-use assets	4,974	—

Note: The amounts represent fees paid to consultants providing professional advices on business operations.

10. INCOME TAX CREDIT

Continuing operations

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda for both years.

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits for both years.

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 rates 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 qualifying corporations is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for taxation in Hong Kong Profits Tax was made as there is no assessable profits for both reporting periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2020 HK\$'000	2019 <i>HK\$'000</i>
Deferred tax		
— Deferred tax credit	<u>155</u>	<u>6</u>
Income tax credit	<u><u>155</u></u>	<u><u>6</u></u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2020, nor has any dividend been proposed since the end of reporting period (2019: Nil).

12. LOSS PER SHARE

From continuing operations

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

	2020 HK\$'000	2019 <i>HK\$'000</i> (Restated)
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	(58,235)	(31,335)
<i>Less:</i>		
Loss for the year from discontinued operations	<u>2,601</u>	<u>10,827</u>
Loss for the purpose of basic loss per share from continuing operations	<u><u>(55,634)</u></u>	<u><u>(20,508)</u></u>

	2020 '000	2019 '000
Number of shares for the purposes of basic loss per share	<u>1,390,657</u>	<u>1,390,657</u>

From continuing and discontinued operations

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

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	<u>(58,235)</u>	<u>(31,335)</u>

The denominators used are the same as those detailed above for basic loss per share from continuing operations.

From discontinued operations

Basic loss per share for the discontinued operation is HK0.2 cent per share (2019: HK0.8 cent per share), based on the loss for the year from the discontinued operations of HK\$2,601,000 (2019: HK\$10,827,000) and the denominators used are the same as those detailed above for basic loss per share from continuing operations.

No diluted loss per share for the year both years was presented as there were no potential ordinary shares in issue for both years.

13. GOODWILL

HK\$'000

At 1 April 2018	—
Arising from acquisition of a subsidiary	19,613
Exchange realignment	336
	<hr/>
At 31 March 2019	19,949
Arising from acquisition of a subsidiary	2,412
Exchange realignment	(1,294)
	<hr/>
At 31 March 2020	21,067
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IMPAIRMENT	
At 1 April 2018 and 31 March 2019	—
Impairment loss recognised during the year	8,941
	<hr/>
At 31 March 2020	8,941
	<hr/>
CARRYING VALUES	
At 31 March 2020	12,126
	<hr/> <hr/>
At 31 March 2019	19,949
	<hr/> <hr/>

For the purposes of impairment testing, goodwill has been allocated to two individual cash-generating units (“CGUs”), each comprising a subsidiary, namely Eqmen Technology Limited* (北京易奇門科技有限公司) (“Eqmen”) and Hyperchannel Info Tech., Ltd* (北京匯傳網絡信息科技有限公司) (“Hyperchannel Info”). The carrying amount of goodwill (net of accumulated impairment loss) as at 31 March 2020 allocated to Eqmen and Hyperchannel Info are HK\$9,733,000 (2019: HK\$19,949,000) and HK\$2,393,000 (2019: N/A), respectively.

* English name is for identification purpose only.

14. INTANGIBLE ASSETS

	Club memberships <i>HK\$'000</i>	Customer contracts and related customer relationship <i>HK\$'000</i>	Software <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2018	1,385	—	—	1,385
Acquired on acquisition of a subsidiary	—	2,767	56	2,823
Addition	—	—	2,208	2,208
Exchange realignment	—	35	6	41
	<u>1,385</u>	<u>2,802</u>	<u>2,270</u>	<u>6,457</u>
At 31 March 2019	1,385	2,802	2,270	6,457
Acquired on acquisition of a subsidiary	—	2,144	—	2,144
Exchange realignment	—	(138)	(193)	(331)
	<u>1,385</u>	<u>4,808</u>	<u>2,077</u>	<u>8,270</u>
At 31 March 2020	<u>1,385</u>	<u>4,808</u>	<u>2,077</u>	<u>8,270</u>
AMORTISATION				
At 1 April 2018	—	—	—	—
Charge for the year	—	166	129	295
	<u>—</u>	<u>166</u>	<u>129</u>	<u>295</u>
At 31 March 2019	—	166	129	295
Charge for the year	—	428	129	557
Exchange realignment	—	(17)	(19)	(36)
	<u>—</u>	<u>577</u>	<u>239</u>	<u>816</u>
At 31 March 2020	<u>—</u>	<u>577</u>	<u>239</u>	<u>816</u>
CARRYING VALUES				
At 31 March 2020	<u>1,385</u>	<u>4,231</u>	<u>1,838</u>	<u>7,454</u>
At 31 March 2019	<u>1,385</u>	<u>2,636</u>	<u>2,141</u>	<u>6,162</u>

15. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	26,986	10,605
Less: allowance for credit losses	<u>(3,858)</u>	<u>(636)</u>
	<u>23,128</u>	<u>9,969</u>

As at 1 April 2018, trade receivables from contracts with customers amounted to HK\$23,167,000.

The following is the aged analysis of trade receivables net of allowance for credit losses presented based on the date of billing.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 — 60 days	13,958	1,870
61 — 90 days	5,526	751
91 — 180 days	3,542	7,348
Over 180 days	102	—
	<u>23,128</u>	<u>9,969</u>

As at 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$2,338,000 (2019: HK\$636,000) which are past due and also past due over 90 days as at the reporting date. Included in the past due balances, impairment loss HK\$3,234,000 (2019: HK\$215,000) has been provided during the year ended 31 March 2020.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other receivables	11,457	3,905
<i>Less: allowance of credit loss</i>	(395)	—
	<u>11,062</u>	3,905
Deposits and prepayments (<i>Note</i>)	13,859	9,233
	<u>24,921</u>	13,138
<i>Less: Amounts that will be settled or utilised within one year</i>	(24,813)	(12,583)
	<u>108</u>	<u>555</u>

Note: As at 31 March 2020, the amount mainly comprised of prepayments of approximately HK\$7,911,000 (2019: HK\$5,745,000) made to media suppliers under digital marketing business. Rental deposits paid were adjusted upon the initial application of HKFRS16.

17. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 — 60 days	5,944	604
61 — 90 days	216	102
Over 90 days	<u>76</u>	<u>31</u>
	<u>6,236</u>	<u>737</u>

The average credit period on purchases of goods ranges from 15 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Other payables and accrued charges mainly represent accrued operating expenses and advances from independent third parties of HK\$14,546,000 (2019: Nil), which carries fixed interest rate 1% per month, unsecured and repayment within 1 year.

18. BANK BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Carrying amount of bank borrowings that is:		
— repayable on demand or within one year (shown under current liabilities)	4,374	—
— repayable on demand due to breach of loan covenant	<u>4,375</u>	<u>—</u>
	<u>8,749</u>	<u>—</u>

As at 31 March 2020, bank borrowings carry fixed interest rate which is determined at loan prime rate plus 0.5175% (2019: N/A) per annum upon drawdown of the bank borrowings and are secured by pledged bank deposit. During the year ended 31 March 2020, the effective interest rate on the bank borrowings are 4.57% (2019: N/A).

During the year, in respect of a bank borrowing with a carrying amount of HK\$4,375,000 and secured by the pledged bank deposit as at 31 March 2020, one of the subsidiary (the “Subsidiary”) breached the corresponding bank covenants, which are primarily related to maintain the tangible assets of the Subsidiary at the agreed level. On discovery of the breach, the Directors informed the bank and commenced a renegotiation of the terms of the loan with the banker. As at 31 March 2020, the negotiation had not been concluded.

19. ACQUISITION OF SUBSIDIARIES

2020

For the year ended 31 March 2020, Beijing Skyvior Technology Co., Limited* (北京乾智傳視科技有限公司 (“Beijing Skyvior”), a wholly-owned subsidiary of the Group, acquired 100% equity interest of Hyperchannel Info from an independent third party for a consideration of 45% equity interests of Beijing Skyvior held by the Group. The transaction was completed on 8 November 2019 and accounted for as an acquisition of business, namely the digital marketing business, using the acquisition method. After the acquisition, Hyperchannel Info becomes a subsidiary of Beijing Skyvior and Beijing Skyvior changed from a wholly-owned subsidiary to a non-wholly owned subsidiary of the Group. Hyperchannel Info is principally engaged in the digital marketing business in the PRC and was acquired with the objective of expanding the Group’s business.

Consideration transferred

HK\$’000

45% equity interest of Beijing Skyvior	4,032
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Assets and liabilities recognised at the date of acquisition

HK\$’000

Plant and equipment	450
Intangible assets	2,144
Bank balances and cash	9,382
Trade receivables	505
Other receivables, deposits and prepayments	33,340
Trade payables, other payables and accrued charges	(43,665)
Deferred tax liabilities	(536)
	<u>1,620</u>

The fair value of trade receivables and other receivables amounted to approximately HK\$505,000 and HK\$1,833,000 respectively, representing gross contractual amounts at the date of acquisition and contractual cash flows are expected to be fully collected.

Goodwill arising on acquisition

HK\$'000

Consideration transferred	4,032
Less: recognised amount of identifiable net assets acquired (100%)	<u>(1,620)</u>
Goodwill arising on acquisition	<u><u>2,412</u></u>

Goodwill arose on the acquisition of Hyperchannel Info because the acquisition included the assembled workforce of Hyperchannel Info, existing customers and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash inflows arising on acquisition

HK\$'000

Consideration paid in cash	—
Less: cash and cash equivalent balances acquired	<u>(9,382)</u>
	<u><u>(9,382)</u></u>

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 March 2020 is loss amounted to approximately HK\$2,637,000 attributable to Hyperchannel Info. Revenue for the year includes HK\$68,621,000 is attributable to Hyperchannel Info.

Had the acquisition of Hyperchannel Info been effected at the beginning of the year, the total amount of revenue of the Group from continuing operations for the year ended 31 March 2020 would have been approximately HK\$154,545,000 pro forma and loss for the year from continuing operations would have been HK\$67,440,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the pro forma loss of the Group had Hyperchannel Info been acquired at the beginning of the year, the Directors have calculated depreciation of plant and equipment and amortisation of intangible assets based on the recognised amounts of plant and equipment and intangible assets at the date of the acquisition.

20. DISPOSAL OF SUBSIDIARIES

2020

Discontinued operation

Disposal of Sai Van Club

During the year ended 31 March 2020, the Group implemented measures to streamline its operations. On 9 March 2020, the Group entered into an agreement to dispose of the entire equity interest of its wholly owned subsidiary, Sai Van Club, to an independent third party for a total cash consideration of HK\$600,000. The transaction was completed on 9 March 2020.

The Group's share of net liabilities of Sai Van Club at the date of disposal and the effect of disposal were as follows:

	<i>HK\$'000</i>
Consideration:	
Consideration received	200
Consideration receivable	400
	<u>600</u>
	9 March 2020
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Other receivables, deposit and prepayments	471
Bank balances and cash	575
Other payables and accrued charges	(243)
	<u>803</u>
Net assets disposed of	<u>803</u>
Loss on disposal of subsidiaries:	
Consideration	600
Net assets disposed of	(803)
	<u>(203)</u>
Loss on disposal	<u>(203)</u>
Net cash outflow arising on disposal:	
Cash consideration received	200
Less: bank balances and cash disposed of	(575)
	<u>(375)</u>

The loss for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to represent the operations as a discontinued operation.

	Period ended 9 March 2020 HK\$'000	Year ended 31 March 2019 HK\$'000
Loss for the year	(2,398)	(1,360)
Loss on disposal of Sai Van Club	(203)	—
	<u>(2,601)</u>	<u>(1,360)</u>

The results of the operation for the period from 1 April 2019 to 9 March 2020, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 9 March 2020 HK\$'000	Year ended 31 March 2019 HK\$'000 (restated)
Revenue	2,439	3,509
Cost of sales	(1,850)	(1,718)
Administrative expenses	(2,987)	(3,151)
Loss for the year from discontinued operation	<u>(2,398)</u>	<u>(1,360)</u>

Loss for the year from discontinued operation includes the following:

Auditor's remuneration	—	—
Other staff costs:		
— Salaries and other benefits	1,324	1,482
	<u>1,324</u>	<u>1,482</u>

During the year ended 31 March 2020, Sai Van Club contributed HK\$332,000 (2019: HK\$75,000) to the Group's net operating cash flows and paid HK\$196,000 (2019: HK\$1,000) in respect of investing activities.

DIVIDEND

No dividend was paid or proposed during the year of 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

FINANCIAL RESULTS

The Group's consolidated net loss attributable to the owners of the Company for the year ended 31 March 2020 increased by 85.8% to HK\$58,235,000 or 82.6% to HK4.2 cents per share (31 March 2019: loss of HK\$31,335,000 or HK2.3 cents per share).

The analysis of consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020 is as follows:

1. Revenue

For the year ended 31 March 2020, the Group's overall turnover from continuing operations increased by approximately 746% to HK\$154,099,000 of which approximately HK\$8,333,000, HK\$811,000, HK\$144,821,000, and HK\$134,000 (31 March 2019: HK\$11,059,000, HK\$1,337,000, HK\$5,784,000 and HK\$26,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing, online and social business, digital marketing and retailing and wholesales respectively.

The Group has recorded a decrease in turnover for the business of publishing and IPs licensing, representing a decrease of approximately 24.6%. It was mainly attributable to the drop in income on IPs licensing of online game, online movie and online TV series.

For the year ended 31 March 2020, the turnover of the online and social business segment has decreased by 39.3% to HK\$811,000 (31 March 2019: HK\$1,337,000) compared to the last year. The decrease was mainly due to the COVID-19 outbreak impacting on industry cycle of digital cinema in the PRC.

The turnover from the digital marketing business significantly increased from HK\$5,784,000 to HK\$144,821,000 for the year ended 31 March 2020. It was mainly due to continuous efforts put into building the digital marketing segment as the Group's leading core business.

The turnover of retailing and wholesales segment represents the sales of premium wine of HK\$134,000 was reported for the year ended 31 March 2020 (31 March 2019: HK\$26,000).

2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$24,332,000 from continuing operations with gross profit margin of 15.8% for the year ended 31 March 2020 as compared to the same period of 2019, which recorded a gross profit of HK\$11,765,000, restated. Comparing the gross profits for both periods, the positive development of the digital marketing segment offset the decrease from the publishing and IPs licensing segment.

3. Administrative expenses

The Group recorded an aggregate administrative expenses from continuing operations of approximately HK\$46,097,000 for the year ended 31 March 2020 (2019: HK\$29,588,000, restated).

Such administrative expenses include corporate fee, directors' emolument, staff cost, consultancy and other professional fee. The increase in administrative expenses from continuing operations was mainly due to the development of the digital marketing segment from PRC subsidiaries.

Despite the increase in the total administrative expenses for the year ended 31 March 2020 as compared to the same period of 2019, the Group adopted cautious cost management and was able to downsize non-profitable operations.

4. Other impairment losses

The impairment loss from continuing operations recorded an one-off impairment loss of HK\$10,574,000 (2019: Nil) for prepayments to suppliers in digital marketing segment and the Company had exercised civil complaints against the suppliers for their suspected misconduct.

For the year ended 31 March 2020, the amount of HK\$8,941,000 for goodwill arising from Eqmen was impaired as its generated operating loss to the Group for the year ended.

5. Loss before tax

The Group recorded a loss before tax from continuing operations of approximately HK\$61,291,000 for the year ended 31 March 2020 (2019: HK\$21,219,000). Loss from discontinued operation of approximately HK\$2,601,000 for the year ended 31 March 2020 (2019: HK\$10,827,000, restated). The Group has been successful in controlling costs and disposing non-core loss making operations.

Also, as at 31 March 2020, the Group has net asset of approximately HK\$235,719,000 (31 March 2019: HK\$302,192,000). Net asset value per share of HK\$0.17 (31 March 2019: HK\$0.22).

ACQUISITION OF SUBSIDIARIES

On 30 September 2019, Culturecom (Zhuhai) Investments (Limited Partnership)* (文漫(珠海)投資企業(有限合伙) (“Culturecom Investments”), a wholly-owned indirect subsidiary of the Group, entered into the Equity Transfer Agreement (the “Agreement”) with Beijing WeiResearch Info Technology Limited* (北京微瑞思創信息科技股份有限公司) (“WeiResearch”), a connected person of the Company at the subsidiary level, to purchase from WeiResearch the remaining 45% of equity interest in Beijing Skyvior at a consideration of RMB450,000. The Equity Transfer Agreement is effective on 30 September 2019. Beijing Skyvior becomes a wholly-owned subsidiary of the Group and WeiResearch would no longer be a connected person of the Company.

Beijing Skyvior acquired 100% equity interest of Hyperchannel Info from an Independent Third Party for a consideration of 45% equity interest of Beijing Skyvor. This transaction was completed on 8 November 2019. After the acquisition, Hyperchannel Info becomes a subsidiary of Beijing Skyvior and Beijing Skyvior changed from a wholly-owned subsidiary to a non-wholly owned subsidiary under the Group. Hyperchannel Info is engaged in the digital marketing business in PRC.

DISPOSAL OF SUBSIDIARIES

During the year, the Group implemented measures to streamline its operations. On 9 August 2019, the Group entered into an agreement to dispose of the entire shareholdings of its subsidiaries, 文傳手游網絡發展(深圳)有限公司, 文傳前海科技發展(深圳)有限公司 and 文傳創意傳媒(深圳)有限公司 to Mr. Tang U Fai, a director of a wholly-owned subsidiary of the Group for a total cash consideration of RMB221,000. The transaction was completed on 17 September 2019.

On 9 March 2020, the Group entered into an agreement to disposal of the entire equity interest of Sai Van Club to an Independent Third Party for a total cash consideration of HK\$600,000. The transaction was completed on 9 March 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2020, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$154,000,000, pledged bank deposit of approximately HK\$23,261,000 and financial assets at fair value through profit or loss of approximately HK\$715,000.

As of 31 March 2020, the Group had bank borrowing of approximately HK\$8,749,000 and its was secured by a pledged bank deposit for granting banking facility to the Group.

The Group has no significant exposure to foreign exchange rate fluctuation except for the currency of RMB.

As of 31 March 2020, the Group had a net current asset of approximately HK\$213,834,000 (31 March 2019: HK\$269,187,000) and a current ratio of 5.4 (31 March 2019: 26.0). The Group's total liabilities as of 31 March 2020 amounted to approximately HK\$50,828,000 (31 March 2019: HK\$12,167,000) and represented approximately 23.0% (31 March 2019: 4.3%) to equity attributable to owners of the Company.

Upon consideration of the above, the Directors have no doubt that the Group will have sufficient liquidity to finance its daily operations, as reflected by its healthy financial status with a wealth of cash flow and other resources. As always, the Group will continue to follow prudent and disciplined cash management practices on any excess liquidity.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2020, the Group had a total of 177 employees of which 30 are based in Hong Kong and 147 in the PRC. Total staff costs from continuing operations incurred for the year ended 31 March 2020 amounted to approximately HK\$26,590,000 (31 March 2019: HK\$17,373,000, restated). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

BUSINESS REVIEW

During the year, the Group continues to focus on investment in its core IPs related business and Digital Marketing (“Digital Marketing”) business and achieved significant results. Digital Marketing becomes the leading core business, its revenue has increased almost 25 folds from HK\$5,784,000 in 2019 to HK\$144,821,000 in 2020, while total revenue increased from HK\$18,206,000 in 2019 to HK\$154,099,000 in 2020. The total number of employees in the Digital Marketing segment increased from 39 in 2019 to 140 in 2020, while the total number of employees of the Group increased from 99 in 2019 to 177 in 2020. The Group continues to develop its Digital Marketing business and in expanding Key Opinion Leaders (KOLs) management and production of short videos for our customers or KOLs. The Group will continue to develop business in digitalisation and commercialisation of IPs for our customers.

In or around June 2019, the Group started to invest in Digital Marketing specializing in applying big data analysis in matching IPs to assist customers in marketing products and services. The Group now holds 55% interest in two Beijing companies, Beijing Skyvior and Hyperchannel Info, specializing in Digital Marketing business. Since the last quarter of 2019, through these two subsidiaries, the Group was successful in securing business with major consumer products distribution or social media platforms, such as Taobao/Tmall, Tik Tok, Pinduoduo, Vip.com, etc. This breakthrough allows the Group to lay the foundation to further develop its Digital Marketing business.

Another 55% Digital Marketing subsidiary, Eqmen, which is principally engaged in the digitalisation and commercialisation of IPs, content creation and digital marketing. Since becoming a subsidiary of the Group in August 2018, it continues to expand in collaborating with certain prominent IP owners, including the Palace Museum* (故宮博物院). Its revenue increased from the seven-month period in 2019 of HK\$5,562,000 to HK\$34,819,000 in 2020. While total revenue of Eqmen increase substantially, its profit margin decreased significantly due to change of product or service mix with sales more in gifts and related promotional products. Since the beginning of last fiscal year, Eqmen commenced the launch of “IP Express” (IP 直通車) business in cooperation with the National Copyright Administration of the PRC (國家版權局). Under this arrangement, Eqmen gained the resource to provide a large pool of IPs of various types. These collaborations will generate revenue for Eqmen and assist the IP owners to explore and expand the usage of their IPs so as to bring in extra revenue and raise the market recognition of their IPs. The Group is also prepared to invest in IPs with market potential. While Eqmen continues to develop products and services for IP Express, this new business has yet to produce significant revenue.

The Group has a wholly-owned subsidiary, Culturecom Zhuhai, which also engaged in Digital Marketing starting in 2019. In or around middle of 2019, it began its venture into using popular photo Apps platforms to advertise for customers. These platforms are more similar to the traditional media advertising. The nature of this business generally involved prepayments for time slots on the media platforms. The Group experienced a non-performance of a media platform and eventually terminated the agreement with this platform. The Group is in the process of recovery of prepayments for media time slots or space amounting to about HK\$10,574,000. Full provision has been made for these prepayments.

The COVID-19 pandemic, while slowing down overall business activities, it also caused delays in certain projects where expenses were incurred mainly for development of programs or softwares for IP Express, which showed uncertainties in its realisation.

Publishing and IP Licensing Business

The Publishing and IP licensing business is rather static. A long established customer defaulted in its payment due to financial difficulties. As a result of uncertainty in recovery, the Group provided HK\$2,731,000 on receivable from this customer. The Group modified its business model from collecting our royalties directly from the printing houses instead of from licensees. The Group continues to put more effort to broaden the scope of licensing business and enticing customers to encompass the use of digital images. This should enhance and improve the marketability of IPs of the Group.

Online and Social Business

With the disposal of Ucan Commercial Limited, a wholly-owned subsidiary at the end of last fiscal year, the Group divested itself of its online and social business entirely, thereby reducing significant losses incurred by this business in the past. The Group is seeking to divest from its investment in digital cinema, putting more of its resources on Digital Marketing.

Retail and Wholesales Business

The Group continues to work with a consultant to develop sales and distribution channels for its premium wine. While marketing plan has been formulated focusing on direct and consignment sales channels, including online wine selling sites, and restaurant chains, the COVID-19 pandemic has slowed the progress and implementation of this marketing plan.

Catering Business

The Group disposed its Catering Business in March 2020. This business incurred loss of about HK\$2,601,000 in 2020 and HK\$1,360,000 in 2019.

PROSPECT

During the year, the Group is successful in developing a strong Digital Marketing business by putting a primary focus on building a strong marketing and technical team of professionals. With a notable acceleration on revenue growth, the Group is making its way to becoming a prominent Digital Marketing group.

Although the significant growth in revenue in the year may have come with significant increases in expenses and costs, it is reflecting the strong commitment of the Group in pushing forth and becoming a prominent key player in the Digital Marketing and IPs Commercialisation markets. The Digital Marketing segment has generated HK\$144,821,000 in 2020 comparing to HK\$5,784,000 in 2019. The operating results of the Digital Marketing segment is a loss of HK\$24,603,000 in 2020, after taking up one-time loss of impairment on prepayments and recognition of development costs totalling about HK\$13,571,000. In 2019, the Digital Marketing segment suffered a loss of HK\$5,396,000 with total revenue of HK\$5,784,000. Significant more expenses are incurred in the early stage of business development. The Group is well poised to better manage its expenses and costs as it gained experience in Digital Marketing in this ever and fast changing digital era. The Group will focus on streamlining operating structure while employing more resources in Digital Marketing. Costs and expenses will be monitored to ensure efficient and effective utilisation of resources. While the COVID-19 pandemic is still lingering on, the Group is optimistic that performance will continue to improve with growth being maintained.

The Group is confident it has built a base for achieving a turn-around. As stated before, the Group will continue to invest in IPs related business and continue to enhance the Company's value through our growing businesses.

CLOSURE OF REGISTERS OF MEMBERS

The Principal Register of Members and the branch Registers of Members will be closed from 13 August 2020 to 18 August 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2020 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. 12 August 2020.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have repurchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2020.

AUDIT COMMITTEE

The Audit Committee of the Company, with written terms of reference in line with the code provision set out in the Code on Corporate Governance Practices (the "Code") as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), currently comprises of three Independent Non-executive Directors, namely Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik. The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of audited financial statements for the year ended 31 March 2020.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2020 except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. The current Independent Non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-executive) of the Company are subject to retirement by rotation at the Annual General Meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision E.1.2

Under the code provision E.1.2, the Chairman of the Board should attend the Annual General Meeting. The position of the Chairman of the Board was not filled before the Company's Annual General Meeting held on 28 August 2019. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

The Company will arrange for the election of the new Chairman of the Board as soon as practicable in order to fill up the vacancy of Chairman.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.culturecom.com.hk. The annual report will be despatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board
Culturecom Holdings Limited
Huang Mingguo
Executive Director & Chief Executive Director

Hong Kong, 30 June 2020

As at the date hereof, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director); Mr. Huang Mingguo, Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); and Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik (all being Independent Non-executive Directors).

* *For identification purpose only*