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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)

VOLUNTARY ANNOUNCEMENT BUSINESS COOPERATION

This announcement is made by Culturecom Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to provide shareholders and potential investors of the Company with the latest business update of the Group.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 18 November 2022, (1) Dragon Chip Brain-Inspire Intelligent Technology (Zhuhai Hengqin) Co., Ltd.# (飛龍芯類腦智能科技(珠海橫琴)有限公司) (“**DCBIT**”), an indirectly wholly-owned subsidiary of the Company, (2) iFlytek Co., Ltd. (科大訊飛股份有限公司) (“**iFlytek**”) and (3) Imitation Brain Technology (Shenzhen) Co., Ltd.# (仿腦科技(深圳)有限公司) (“**Imitation Brain**”) entered into a strategic framework agreement (the “**Framework Agreement**”) for a term of three years from the date of the Framework Agreement.

THE COOPERATION

The parties to the Framework Agreement agree to exchange and cooperate with each other in respect of artificial intelligence (“**AI**”) technology. The parties intend to, among others, promote and explore the joint research and development of Chinese AI; jointly develop Dragon Chip, an offline Chinese voice recognition chip (natural language chip); create a benchmark for Chinese AI speech recognition and comprehension chips; and increase the market share of smart chip products (the “**Cooperation**”). The parties will enter into formal agreement in respect of any concrete and specific project under the Cooperation.

The Cooperation will leverage on iFlytek’s cutting-edge technology in AI speech recognition and AI production ecology, Imitation Brain’s experience in the application, technological support and sales and promotion of Chinese AI, and the Group’s “Dragon Code” system, the world’s first Chinese Common Sense comprehension system, to jointly create Dragon Chip, an industry-leading Chinese AI speech recognition and comprehension chip and chip products which will have a wide range of applications in smart homes, smart hardware, smart cities and other fields.

The parties expect that the prototype of Dragon Chip will be available by the end of this year and plan to release Dragon Chip in the first quarter of 2023. The parties believe that the Cooperation will better integrate the AI strengths and advantages of the parties to the Framework Agreement and will enhance the competitiveness of their respective products.

ABOUT DCBIT

DCBIT is a company established in China with limited liability and an indirectly wholly-owned subsidiary of the Company. It is principally engaged in, among others, the development, manufacturing and sales of products such as integrated circuit chips, AI applications, intelligent robots, etc. and the provision of services relating to the internet of things (“IoT”), blockchain technology, data processing, 5th generation mobile communication technology, etc.

DCBIT is led by Mr. Chu Bong-foo (“**Mr. Chu**”), the Ex-Chairman of the Company, the inventor of the Cangjie input method and a pioneer of Chinese AI understanding who was hailed as “The Father of Modern Chinese Computing”. Mr. Chu and his team has been studying on Chinese AI understanding, and has obtained patents globally in 2020 to apply Chinese understanding in the development of language chips.

About iFlytek

iFlytek is one of the largest suppliers of Chinese intelligent speech recognition technology, a partially state-owned information technology company established in China in 1999 and a company listed on the Shenzhen Stock Exchange (SZSE: 002230). It focuses on intelligent speech and language technologies covering areas such as natural language understanding, speech synthesis, machine learning, machine reasoning and adaptive learning, where it is a pioneer in the global speech recognition technology sector. iFlytek also actively promotes the development of AI products and their sector-based applications, and accounts for more than 80% in industries such as telecommunication, finance, electricity, social insurance with more than 1 billion users.

About Imitation Brain

Imitation Brain is a company established in China with limited liability. It is principally engaged in the development and sales of AI hardware and software, Chinese AI language processing, Chinese natural language understanding and the research and development and promotion of underlying technologies of Chinese AI.

Dragon Chip

Dragon Chip, the pioneer in brain-inspired smart chip with Chinese algorithm as the underlying technology, was developed by Mr. Chu, and his team, with the visions that all things, including machineries, have languages and can communicate and connect with human beings and understand concepts.

Dragon Chip is a Chinese technology system and a Chinese AI computer code which adopts the AI algorithms and was designed based on the operational structures of computer hardware. It supports offline calculation and can complete the closed-loop model of human-computer interaction (which includes inputs, processes, and outputs) on its own, and hence, it can be applied to any AI products which requires human-computer interactions such as commercial-grade IoTs, smart homes, AI robots, industrial robots, military industry, satellite communication speech understanding and control system, etc.

REASONS FOR AND THE BENEFITS OF THE COOPERATION

The Group is principally engaged in (1) publishing and intellectual properties licensing; (2) digital marketing; and (3) retailing and wholesales. Based on the International Data Corporation's report, the number of IoT devices has reached 14.7 billion in 2021 and is expected to reach 24.6 billion in 2025 (representing 3 to 4 devices per person), while the IoT expenses have reached US\$754.28 billion and are expected to reach US\$1.2 trillion, among which the size of the Chinese market is expected to reach US\$300 billion. The report also stated that, it is expected that the IoT expenses of China will be shifting to the hardware market, and will account for 39.7% of the Chinese IoT market in 2025. The Company is of the view that AI speech recognition chips (i.e. language chips), being one of the core components of IoT interactions, will be given the spotlight in the industry.

By virtue of the Cooperation, the Group can introduce iFlytek and Imitation Brain as partners of the Group, and will be able to leverage on the technological support from iFlytek and the marketing and the promotion services to be provided by Imitation Brain in order to carry out mass production and manufacturing, sales and applications of Dragon Chip. The Company is of the view that the Cooperation would be beneficial to the development of the Company's digital marketing businesses, and hence, would be beneficial to and in the interests of the Company and its shareholders as a whole.

As such, the Board is of the view that the terms of the Framework Agreement are fair and reasonable, and the entering into of the Framework Agreement is in the interests of the Company and its shareholders as a whole.

Further announcement(s) in respect of the Cooperation will be made as and when appropriate in accordance with the applicable rules and regulations.

By Order of the Board
Culturecom Holdings Limited
Kwan Kin Chung
Managing Director

Hong Kong, 18 November 2022

As at the date hereof, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director); Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); Mr. Wong Kon Man Jason (being Chairman and Non-executive Director); 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.