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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 2022

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 2022 together with the comparative figures for the corresponding year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Continuing operations			
Revenue	3	62,365	206,605
Cost of sales		(40,607)	(167,819)
Gross profit		21,758	38,786
Other income	5	437	1,763
Other gains or losses	6	7,282	1,054
Impairment loss under expected credit loss (“ECL”) model, net of reversal		787	(1,268)
Other impairment losses	8	(2,769)	(18,693)
Selling expenses		(13,051)	(30,734)
Administrative expenses		(33,164)	(43,138)
Other expenses	9	(19,523)	(16,334)
Finance costs	7	(1,071)	(2,455)
Share of loss of an associate		(260)	(23)
Loss before tax	9	(39,574)	(71,042)
Income tax credit	10	369	1,121
Loss for the year from continuing operations		(39,205)	(69,921)

	2022	2021
NOTES	HK\$'000	HK\$'000
Discontinued operations		
Loss for the year from discontinued operations	–	(374)
Loss for the year	(39,205)	(70,295)
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	9,833	14,865
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(6,408)	(7,648)
Reclassification of cumulative translation reserve upon disposal of a foreign operation	–	125
	(6,408)	(7,523)
Other comprehensive income for the year	3,425	7,342
Total comprehensive expense for the year	(35,780)	(62,953)
Loss for the year attributable to owners of the Company:		
– from continuing operations	(28,943)	(56,889)
– from discontinued operations	–	(302)
	(28,943)	(57,191)
Loss for the year attributable to non-controlling interests:		
– from continuing operations	(10,262)	(13,032)
– from discontinued operations	–	(72)
	(10,262)	(13,104)
	(39,205)	(70,295)
Total comprehensive expense attributable to:		
Owners of the Company	(24,025)	(51,706)
Non-controlling interests	(11,755)	(11,247)
	(35,780)	(62,953)
Total comprehensive expense attributable to owners of the Company:		
– from continuing operations	(24,025)	(51,537)
– from discontinued operations	–	(169)
	(24,025)	(51,706)
Loss per share		
	12	
From continuing and discontinued operations		
Basic (HK cents)	(1.8)	(4.1)
From continuing operations		
Basic (HK cents)	(1.8)	(4.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property and equipment		163	473
Right-of-use assets		172	2,260
Goodwill	13	–	1,396
Interest in an associate		935	1,195
Intangible assets	14	2,057	5,366
Rental deposits	16	–	1,333
Financial assets at fair value through profit or loss (“FVTPL”)		8,032	1,802
		<u>11,359</u>	<u>13,825</u>
Current assets			
Inventories		35,630	35,630
Trade receivables	15	18,718	62,841
Other receivables, deposits and prepayments	16	4,902	15,849
Financial assets at FVTPL		338	1,220
Pledged bank deposits		–	35,935
Restricted bank deposit	17	5,539	5,324
Bank balances and cash		129,527	75,094
		<u>194,654</u>	<u>231,893</u>
Current liabilities			
Trade payables	18	2,362	14,519
Other payables and accrued charges	18	11,676	16,051
Contract liabilities		185	1,057
Lease liabilities		601	4,394
Bank borrowings	19	–	35,495
Tax payable		283	–
		<u>15,107</u>	<u>71,516</u>
Net current assets		<u>179,547</u>	<u>160,377</u>
Total assets less current liabilities		<u>190,906</u>	<u>174,202</u>
Non-current liabilities			
Deferred tax liabilities		12	663
Lease liabilities		–	965
		<u>12</u>	<u>1,628</u>
Net assets		<u>190,894</u>	<u>172,574</u>
Capital and reserves			
Share capital		16,687	13,907
Share premium and reserves		166,153	151,383
		<u>182,840</u>	<u>165,290</u>
Equity attributable to owners of the Company		182,840	165,290
Non-controlling interests		8,054	7,284
		<u>190,894</u>	<u>172,574</u>
Total equity		<u>190,894</u>	<u>172,574</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

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”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 Rules”) 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.

The functional currency of the Company is Renminbi (“RMB”). For the convenience of the financial statements users, the consolidated financial statements are presented in Hong Kong dollars (“HK\$”), as the Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of amendments to HKFRSs in the current year 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.

2.1 *Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications; and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

2.2 *Application of Amendment to HKFRS 16, “Covid-19-Related Rent Concessions”*

The Group has adopted the Amendment to HKFRS 16, “Covid-19-Related Rent Concessions” for the first time. The Group has elected not to apply the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group. Accordingly, the application of the amendment has had no material impact on the financial position and performance of the Group in the current and prior years.

The application of the amendments in the current year had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

3. REVENUE

Continuing operations

Disaggregation of revenue from contracts with customers

	Year ended 31 March 2022			
	Publishing and IPs licensing <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 recognise:				
At a point of time				
– Comic books sales	8,582	–	–	8,582
– Royalty income from IPs licensing	3,470	–	–	3,470
– New media advertising revenue	–	48,805	–	48,805
Over time				
– Social media marketing	–	1,508	–	1,508
Total	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>
Principal Agent	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>
	–	–	–	–
Total	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>
Geographical markets:				
Hong Kong (place of domicile)	12,052	–	–	12,052
The People's Republic of China (the "PRC")	–	50,313	–	50,313
Total	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>

Year ended 31 March 2021

	Publishing and IPs licensing <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 recognise:				
At a point of time				
– Comic books sales	4,433	–	–	4,433
– Royalty income from IPs licensing	3,774	–	–	3,774
– New media advertising revenue	–	187,929	–	187,929
– Sales of wine	–	–	4	4
Over time				
– Social media marketing	–	10,465	–	10,465
Total	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>
Principal Agent	8,207	197,890	4	206,101
	–	504	–	504
Total	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>
Geographical markets:				
Hong Kong (place of domicile)	8,207	–	4	8,211
The PRC	–	198,394	–	198,394
Total	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>

4. 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 intellectual properties ("IP") of comics.
- Digital marketing: providing digital marketing and communication, IP digitalisation and agency of IP services in the PRC.
- Retailing and wholesales: retailing of wine.

For the year ended 31 March 2021, Polluquin Holdings Limited and its subsidiaries (collectively referred to as the “Polluquin Group”) was disposed and its operation in 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.

For the year ended 31 March 2022

Continuing operations

	Publishing and IPs licensing <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>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>
Segment results	<u>798</u>	<u>(24,959)</u>	<u>(420)</u>	<u>(24,581)</u>
Unallocated expenses				(20,200)
Unallocated income				112
Other gains and losses				6,547
Impairment loss on goodwill				<u>(1,452)</u>
Loss before tax from continuing operation				<u><u>(39,574)</u></u>

For the year ended 31 March 2021

Continuing operations

	Publishing and IPs licensing <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	8,207	198,394	4	206,605
	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>
Segment results	(1,398)	(37,622)	(427)	(39,447)
	<u>(1,398)</u>	<u>(37,622)</u>	<u>(427)</u>	<u>(39,447)</u>
Unallocated expenses				(20,399)
Unallocated income				809
Other gains and losses				197
Impairment loss on goodwill				(11,401)
Impairment loss on right-of-use assets (unallocated portion)				(801)
				<u>(801)</u>
Loss before tax from continuing operations				<u>(71,042)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note to the consolidated financial statements. Segment results represent the loss before tax incurred by each segment without the allocation of certain other income, gain on disposal of subsidiaries, gain on deregistration of a subsidiary, gain (loss) on fair value change of financial assets at FVTPL, share of loss of an associate, impairment losses on goodwill and right-of-use assets (unallocated portion) 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 2022

Continuing operations

	Publishing and IPs licensing <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	–	1,861	–	1,861	–	1,861
Bank interest income	(39)	(138)	–	(177)	(14)	(191)
Depreciation of property and equipment	1	76	–	77	61	138
Depreciation of right-of-use assets	–	1,030	–	1,030	1,057	2,087
Impairment loss under ECL model, net	141	(1,017)	2	(874)	87	(787)
Impairment loss on property and equipment	–	8	–	8	–	8
Impairment loss on goodwill	–	–	–	–	1,452	1,452
Impairment loss on intangible assets	–	1,309	–	1,309	–	1,309
Amounts regularly provided to CODM						
Addition to non-current assets	<u>6</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>4</u>	<u>10</u>

For the year ended 31 March 2021

Continuing operations

	Publishing and IPs licensing <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	–	2,108	–	2,108	–	2,108
Bank interest income	(67)	(155)	–	(222)	(87)	(309)
Depreciation of property and equipment	126	203	–	329	182	511
Depreciation of right-of-use assets	676	3,477	–	4,153	1,847	6,000
Impairment loss under ECL model, net	(730)	1,998	–	1,268	–	1,268
Impairment loss on property and equipment	219	90	–	309	–	309
Impairment loss on right-of-use assets	1,053	1,372	–	2,425	801	3,226
Impairment loss on goodwill	–	–	–	–	11,401	11,401
Impairment loss on intangible assets	–	3,757	–	3,757	–	3,757
Amounts regularly provided to CODM						
Addition to non-current assets	<u>1,785</u>	<u>7,384</u>	<u>–</u>	<u>9,169</u>	<u>3,433</u>	<u>12,602</u>

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	12,052	8,211	2,655	4,023
The PRC	50,313	198,394	672	6,667
	<u>62,365</u>	<u>206,605</u>	<u>3,327</u>	<u>10,690</u>

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A ¹	15,580	128,108
Customer B ¹	7,670	N/A ²

¹ Revenue from digital marketing segment

² The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year

Revenue from major products and services

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Comic books	8,582	4,433
Premium wine	—	4
Royalty income	3,470	3,774
Digital marketing	50,313	198,394
	62,365	206,605

5. OTHER INCOME

Continuing operations

For the year ended 31 March 2022, other income mainly included bank interest income of HK\$191,000 (2021: HK\$309,000) and government grants of HK\$nil (2021: HK\$1,311,000) in respect of Covid-19-related subsidies under Employment Support Scheme provided by the Hong Kong government.

6. OTHER GAINS OR LOSSES

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain (loss) on fair value change of financial assets at FVTPL		
– held for trading	64	(207)
– others	6,245	250
Loss on disposal of property and equipment	(151)	(13)
Gain on early termination of leases	931	907
Net foreign exchange gain	193	117
	<u>7,282</u>	<u>1,054</u>

7. FINANCE COSTS

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	931	1,234
Interest on lease liabilities	140	313
Interest on advances from independent third parties	–	908
	<u>1,071</u>	<u>2,455</u>

8. OTHER IMPAIRMENT LOSSES

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment loss recognised in respect of		
– goodwill (<i>Note 13</i>)	(1,452)	(11,401)
– intangible assets (<i>Note 14</i>)	(1,309)	(3,757)
– property and equipment	(8)	(309)
– right-of-use assets	–	(3,226)
	<u>(2,769)</u>	<u>(18,693)</u>

9. LOSS BEFORE TAX

Continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	3,349	5,432
Other staff costs:		
– Retirement benefit scheme contributions	1,345	1,391
– Salaries and other benefits	28,789	47,633
	<u>33,483</u>	<u>54,456</u>
Auditor's remuneration		
– Audit services	1,450	1,950
– Non-audit services	–	550
Cost of inventories recognised as expenses	4,302	2,519
Costs to fulfil the contracts with customers (including staff costs of HK\$734,000 (2021: HK\$1,559,000))	36,305	165,300
Depreciation of property and equipment	138	511
Depreciation of right-of-use assets	2,087	6,000
Amortisation of intangible assets (included in administrative expenses)	1,861	2,108
Legal, consultancy and other professional fees (included in other expenses) (<i>Note</i>)	9,284	6,881
Research cost (included in other expenses)	10,239	9,453
	<u><u>102,398</u></u>	<u><u>365,091</u></u>

Note: The amounts represent fees paid to lawyers and consultants providing legal services and professional advices on business operations and presented under “other expenses”.

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% (2021: 16.5%) on the estimated assessable profits for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable 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 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 the year ended 31 March 2021.

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	(282)	–
Deferred tax		
– Deferred tax credit	651	1,121
	<u> </u>	<u> </u>
Income tax credit	<u>369</u>	<u>1,121</u>

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2022, nor has any dividend been proposed since the end of reporting period (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	(28,943)	(57,191)
<i>Less:</i>		
Loss for the year from discontinued operations	–	(302)
	<u> </u>	<u> </u>
Loss for the purpose of calculating basic loss per share from continuing operations	<u>(28,943)</u>	<u>(56,889)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Weighted average number of shares for the purposes of basic loss per share	<u>1,641,999</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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(28,943)</u>	<u>(57,191)</u>

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

From discontinued operations

For the year ended 31 March 2021, basic loss per share for the discontinued operations is HK0.02 cent per share, based on the loss for the year from the discontinued operations of HK\$302,000 and the denominators used are the same as those detailed above for basic loss per share.

No diluted loss per share has been presented as there were no potential ordinary shares in issue for both years.

13. GOODWILL AND IMPAIRMENT ASSESSMENT

Total
HK\$'000

COST

At 1 April 2020	21,067
Exchange realignment	1,730

At 31 March 2021	22,797
Exchange realignment	918

At 31 March 2022	23,715
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IMPAIRMENT

At 1 April 2020	8,941
Impairment loss recognised during the year	11,401
Exchange realignment	1,059

At 31 March 2021	21,401
Impairment loss recognised during the year	1,452
Exchange realignment	862

At 31 March 2022	23,715
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CARRYING VALUES

At 31 March 2022	—
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At 31 March 2021	1,396
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For the purposes of impairment testing, goodwill has been allocated to two individual 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”), both subsidiaries are in digital marketing segment. An individual CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

* *English name is for identification purpose only*

The carrying amounts of goodwill allocated to these units are as follows:

	2022 HK\$'000	2021 <i>HK\$'000</i>
Eqmen	—	—
Hyperchannel Info	—	1,396
	<hr/>	<hr/>
	—	1,396
	<hr/> <hr/>	<hr/> <hr/>

In addition to goodwill above, property and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

Eqmen

During the year 31 March 2021, due to the inability to improve the financial performance of Eqmen, further deterioration resulted from prior year. During the year ended 31 March 2021, the Directors performed impairment testing and have consequently determined full impairment on goodwill related to Eqmen and further impairment amounting to HK\$181,000 has been allocated pro rata to right-of-use assets to the extent the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero.

Hyperchannel Info

During the year 31 March 2022, due to significant decline in revenue and losses suffered, the Directors performed impairment testing and have consequently determined full impairment on goodwill related to Hyperchannel Info.

During the year 31 March 2021, there is decline in the financial performance of Hyperchannel Info. The Directors performed impairment testing and have consequently determined impairment of goodwill related to Hyperchannel Info amounting to HK\$1,200,000. No impairment on other assets of Hyperchannel Info was considered necessary.

The impairment loss has been included in profit or loss in the “other impairment losses” line item.

14. INTANGIBLE ASSETS

	Club memberships <i>HK\$'000</i> <i>(Note a)</i>	Customer contracts and related customer relationship <i>HK\$'000</i> <i>(Note b)</i>	Software <i>HK\$'000</i> <i>(Note b)</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2020	1,385	4,808	2,077	8,270
Additions	–	–	3,073	3,073
Exchange realignment	–	459	517	976
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	1,385	5,267	5,667	12,319
Exchange realignment	–	129	217	346
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	1,385	5,396	5,884	12,665
	<hr/>	<hr/>	<hr/>	<hr/>
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 April 2020	–	577	239	816
Charge for the year	–	725	1,383	2,108
Impairment loss recognised for the year <i>(Note c)</i>	–	3,757	–	3,757
Exchange realignment	–	208	64	272
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021	–	5,267	1,686	6,953
Charge for the year	–	–	1,861	1,861
Impairment loss recognised for the year <i>(Note d)</i>	–	–	1,309	1,309
Exchange realignment	–	129	356	485
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2022	–	5,396	5,212	10,608
	<hr/>	<hr/>	<hr/>	<hr/>
CARRYING VALUES				
At 31 March 2022	<u>1,385</u>	<u>–</u>	<u>672</u>	<u>2,057</u>
At 31 March 2021	<u>1,385</u>	<u>–</u>	<u>3,981</u>	<u>5,366</u>

Note a: Club memberships are life corporate club memberships in recreational clubs. As the club memberships are considered by the Directors as having an indefinite useful life, the memberships are not amortised until their useful lives are determined to be finite. After considering the prices quoted in the second-hand market, no impairment of the club memberships is made during both years.

Note b: The carrying amount of customer contracts and related customer relationship and software is amortised on a straight-line method over its remaining useful life, i.e. 5 years.

Note c: Customer contracts and related customer relationship relate to two customers in the digital marketing segment. During the year ended 31 March 2021, actual sales and gross margin generated from these two customers were significantly lower than the expected sales and gross margin previously forecasted by the Group. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the relevant assets. The Directors have consequently determined an impairment of intangible assets of HK\$3,757,000 related to customer contracts and related customer relationships for the year ended 31 March 2021.

Note d: During the year ended 31 March 2022, due to the decline in revenue and losses of Eqmen in the digital marketing segment, the Directors determined an impairment of intangible assets of HK\$1,309,000 related to Eqmen's software for the current year.

15. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	22,478	66,924
<i>Less:</i> allowance for credit losses	(3,760)	(4,083)
	18,718	62,841

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	15,590	57,691
61 – 90 days	1,788	666
91 – 180 days	1,137	4,025
Over 180 days	203	459
	18,718	62,841

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate gross amount of HK\$4,232,000 (2021: HK\$3,464,000) which are past due and also past due over 90 days as at the reporting date, of which HK\$3,577,000 (2021: HK\$3,245,000) are considered credit impaired. Included in the past due balances, allowance for credit losses of HK\$3,577,000 (2021: HK\$3,245,000) has been provided as of 31 March 2022.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK\$'000	HK\$'000
Other receivables	462	8,700
<i>Less:</i> allowance for credit losses	(102)	(642)
	360	8,058
Deposits and prepayments (<i>Note</i>)	4,566	9,124
<i>Less:</i> allowance for credit losses	(24)	–
	4,542	9,124
Total other receivables, deposits and prepayments	4,902	17,182
<i>Less:</i> amount will be settled or utilised within one year	(4,902)	(15,849)
	–	1,333
Amounts that will be utilised for more than one year	–	1,333

Note: As at 31 March 2022, the amount mainly comprised of prepayments of approximately HK\$1,435,000 (2021: HK\$5,614,000) made to media suppliers under digital marketing business.

17. RESTRICTED BANK DEPOSIT/CONTINGENT LIABILITY

A subsidiary of the Group, Hyperchannel Info, is a defendant in a legal action involving the alleged failure of Hyperchannel Info to provide services in accordance with the terms of contract. The customer filed a lawsuit in People's Court of Nanshan District of Shenzhen (the "Court") during the year ended 31 March 2021 against Hyperchannel Info to terminate the signed contract and demand repayment amounting to RMB4,500,000 (equivalent to approximately HK\$5,539,000). The customer has also requested the Court to restrict Hyperchannel Info's bank balance amounted to RMB4,500,000 (equivalent to approximately HK\$5,539,000). In accordance with the order of seal up, distraint and freeze properties issued by the Court, the restricted bank deposit expiry date extended to 13 July 2022 and therefore such deposit is classified as current asset accordingly.

Hyperchannel Info is in the process of defending the action and based on legal advice obtained, the Directors are of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements as it is not probable that the contingent liability of RMB4,500,000 (equivalent to approximately HK\$5,539,000) will materialise.

18. 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 60 days	1,673	13,487
61 – 90 days	219	225
Over 90 days	470	807
	<u>2,362</u>	<u>14,519</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 accrued salaries.

19. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount of bank borrowings that is:		
– repayable on demand and repayable within one year	–	11,831
– repayable on demand due to breach of loan covenants	–	23,664
	<u>–</u>	<u>35,495</u>
	<u>–</u>	<u>35,495</u>

As at 31 March 2021, bank borrowings carried fixed interest rate which was determined at loan prime rate plus 0.5175% per annum upon drawdown of the bank borrowings and were secured by pledged bank deposits. During the year ended 31 March 2021, the effective interest rates on the bank borrowings are ranged from 4.37% to 4.87%.

As at 31 March 2021, in respect of bank borrowings with carrying amount of HK\$23,664,000 secured by the pledged bank deposits, two subsidiaries of the Group breached the corresponding bank covenants, which are primarily related to maintain the net tangible assets of the related subsidiaries at the agreed level. On discovery of the breach, the Directors informed the bank and commenced a renegotiation of the terms of the loans with the banker. The bank borrowing of HK\$23,664,000 which breached the loan covenant as at 31 March 2021 is fully repaid during the current year.

20. EVENT AFTER THE REPORTING PERIOD

On 28 May 2021, the Company and 4 vendors in the PRC (“Vendors”) entered into an agreement for potential sales and purchase of 100% equity interest (“Sale Capital”) of a company established in the PRC which is principally engaged in development and sales of artificial intelligence hardware and software. The Vendors have agreed to sell the Sale Capital for a total consideration of HK\$63,000,000, which shall be settled by procuring the Company to issue and allot 191,000,000 shares. As additional time is required to fulfil the conditions in the agreement, the transaction is not yet completed as at the date of these consolidated financial statements. Details of the above transaction is set out in the Company’s announcements dated 2 June 2021, 26 August 2021, 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022 and 27 June 2022.

On 27 April 2022, the Company granted a total of 14,000,000 share options with an exercise price of HK\$0.72 per share option. 8,000,000 share options were granted to Mr. Wong Kon Man Jason, Chairman and non-executive director of the Group, and 6,000,000 share options were granted to a consultant of the Group, respectively. These 14,000,000 share options granted represents approximately 0.84% of the total number of shares in issue on the same date. For further details, please refer to the Company’s announcement dated 27 April 2022.

DIVIDEND

No dividend was paid or proposed during the year of 2022 and 2021, 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 2022 decreased by approximately 49.4% to HK\$28,943,000 or HK1.8 cents per share (2021: loss of HK\$57,191,000 or HK4.1 cents per share).

The analysis of consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022 is as follows:

1. Revenue

For the year ended 31 March 2022, the Group's overall revenue from continuing operations significantly decreased by approximately 70% from HK\$206,605,000 to HK\$62,365,000 of which approximately HK\$12,052,000, HK\$50,313,000, and HK\$nil (2021: HK\$8,207,000, HK\$198,394,000 and HK\$4,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing and retailing and wholesales respectively.

The revenue from the digital marketing business significantly decreased from approximately HK\$198,394,000 for the year ended 31 March 2021 to HK\$50,313,000 for the year ended 31 March 2022. While in general the online retail business of our customers might have not been adversely affected by the Covid-19 pandemic, in fact some of them experienced increased business volume, but our customers in general reduced their outsourcing of advertising and marketing activities. At the same time, the Group also scaled back the operation and focused on projects with better margins. As a result, our business volume decreased accordingly compared with last year. When facing this downward trend of business, the Group focused on improving the profit margin of projects undertaken.

The revenue for the business of publishing and IPs licensing, increased by approximately 46.9%, as an increase of revenue from more publication of Japanese comic book during the year.

2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$21,758,000 from continuing operations with overall gross profit margin of approximately 34.9% for the year ended 31 March 2022 as compared to the same period of 2021, which recorded a gross profit of approximately HK\$38,786,000 with gross profit margin of approximately 18.8%. Comparing the gross profits for both periods, the improvement was due to the improvement of cost control and an adoption of new marketing strategy in digital marketing segment.

3. Selling expenses

The selling expenses from continuing operations decreased from approximately HK\$30,734,000 for the year ended 31 March 2021 to approximately HK\$13,051,000 for the year ended 31 March 2022. The decrease was mainly due to a drop in revenue and streamlining of operation of the segment of digital marketing business for the year ended 31 March 2022.

4. Administrative expenses

The Group recorded an aggregate administrative expenses from continuing operations of approximately HK\$33,164,000 for the year ended 31 March 2022 (2021: HK\$43,138,000).

The major expenses components for the year ended 31 March 2022 were staff cost of approximately HK\$17,337,000 (2021: HK\$19,267,000), audit fee of approximately HK\$1,450,000 (2021: HK\$1,950,000), depreciation of right-of-use assets of approximately HK\$2,087,000 (2021: HK\$6,000,000), listing and corporate services fee of approximately HK\$1,043,000 (2021: HK\$1,032,000).

The decrease in administrative expenses from continuing operations was mainly due to lower business activities under the Covid-19 pandemic and streamlining of operation.

5. Other impairment losses

For the year ended 31 March 2022, the amount of approximately HK\$1,452,000 (2021: HK\$11,401,000 for goodwill arising from Eqmen and Hyperchannel Info) for goodwill arising from Hyperchannel Info were impaired due to incur operating loss to the Group for the year ended.

An impairment loss on intangible assets of approximately HK\$1,309,000 (2021: HK\$3,757,000) were recognised as the actual sale generated from customer contracts and related customer relationships were lower than the expected demand.

6. Other expenses

The other expenses from continuing operations recorded the research and development cost of approximately HK\$10,239,000 (2021: HK\$9,453,000) for strengthening and improving the operation of digital marketing business. During 2022, legal, consultancy and other professional fees of approximately HK\$9,284,000 (2021: HK\$6,881,000) were paid to lawyers for providing legal services (including the legal services in relation to the civil claim on infringement of the copyright works) and paid to consultants for providing professional advice on business operations and development.

7. Loss for the year

The Group recorded a loss from continuing operations of approximately HK\$39,205,000 for the year ended 31 March 2022 (2021: HK\$69,921,000) and a loss from discontinued operations for the year ended 31 March 2022 of HK\$nil (2021: HK\$374,000).

Also, as at 31 March 2022, the Group has net asset of approximately HK\$190,894,000 (31 March 2021: HK\$172,574,000). Net asset value per share of HK\$0.11 (31 March 2021: HK\$0.12).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2022, the Group had bank balances with financial institutions in aggregate of approximately HK\$129,527,000, restricted bank deposit of HK\$5,539,000 and a total of financial assets at fair value through profit or loss of approximately HK\$8,370,000.

The Group has no significant exposure to foreign exchange rate fluctuation except for the transactions that are denominated in United States dollars (“USD”) and HK\$ relative to RMB.

As of 31 March 2022, the Group had a net current asset of approximately HK\$179,547,000 (31 March 2021: HK\$160,377,000) and a current ratio of approximately 12.9 (31 March 2021: 3.2). The Group’s total liabilities as of 31 March 2022 amounted to approximately HK\$15,119,000 (31 March 2021: HK\$73,144,000) and the gearing ratio of the Group represented approximately 8.3% (31 March 2021: 44.3%) 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 2022, the Group had a total of 84 employees of which 30 are based in Hong Kong and 54 in the PRC. Total staff costs from continuing operations incurred for the year ended 31 March 2022 amounted to approximately HK\$33,483,000 (2021: HK\$54,456,000). 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.

USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Share Subscription completed on 6 May 2021 (the “Share Subscription”)

Reference is made to the announcement issued by the Company on 1 March 2021 and the Circular of the Company dated 9 April 2021 in relation to the placing of new shares under the specific mandate.

On 1 March 2021, the Group and the subscriber entered into a Share Subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 278,000,000 subscription shares at the subscription price of HK\$0.15 per subscription share.

The Share Subscription was approved by the shareholders of the Company at the Special General Meeting on 30 April 2021.

The Company intends to continue to apply the proceeds from Share Subscription in a manner consistent with that mentioned above and it is expected that these proceeds will be fully utilized by March 2023. The Directors will continue to evaluate the Group’s operations and financial performance when applying the proceeds.

The subscription of shares was completed on 6 May 2021 with net proceeds of Share Subscription (after deducting all relevant expenses) approximately HK\$41,575,000 are intended to use for the expansion of the Group’s digital marketing segment, in particular as to:

			Approximate percentage of total net proceeds	Actual use of net proceeds up to 31 March 2022	Unused total net proceeds up to 31 March 2022
	Use of net proceeds from the Share Subscription	Planned use of proceeds			
1	Working capital for building strengthening the marketing and technical team	HK\$8.6 million	20.8%	HK\$7.7 million	HK\$0.9 million
2	Working capital for the provision of Key Opinion Leader (“KOL”) management services	HK\$15.2 million	36.7%	Nil	HK\$15.2 million

		Approximate percentage of total net proceeds	Actual use of net proceeds up to 31 March 2022	Unused total net proceeds up to 31 March 2022
Use of net proceeds from the Share Subscription	Planned use of proceeds			
3 Potential acquisition opportunities to enhance the Group’s competitiveness and long-term sustainability	HK\$11.9 million	28.7%	Nil	HK\$11.9 million
4 General working capital	HK\$5.7 million	13.8%	HK\$3.1 million	HK\$2.6 million

PROPOSED ACQUISITION

Acquisition of Entire Equity Interest in a Company involving issue of consideration Shares under Specific Mandate

On 28 May 2021, Vanity Holdings Limited (the “Purchaser”), a wholly owned subsidiary of the Company, entered into an agreement with 4 Vendors, Guangxi Fuchuan Huafa Technology Co., Ltd. (the “Vendor A”), Shenzhen Qunyou Intelligent Education Technology Co., Ltd. (the “Vendor B”), Luo Weizhao (the “Vendor C”) and Liu Jubo (the “Vendor D”) respectively, pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the entire registered and paid-up capital in amount of RMB50,000,000 of Imitation Brain Technology (Shenzhen) Co., Ltd (the “IBT”) for a total consideration of HK\$63,000,000, which shall be settled by procuring the Company to issue and allot an aggregate of 191,000,000 new Shares of the Company to the Vendors at the issue prices of approximately HK\$0.33 for each Consideration Shares.

This proposed acquisition are subject to the approval by the shareholders of the Company at Special General Meeting. Details of the Proposed Acquisition was set out in the announcements of the Company dated 2 June 2021, 26 August 2021 and 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022 and 27 June 2022.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 March 2022, the Group did not have any significant capital commitment (31 March 2021: Nil).

Save as disclosed in note 17, the Group did not have any other significant contingent liabilities as at 31 March 2022.

BUSINESS REVIEW

The Group has experienced a rather turbulent year. It continued to face lockdowns and disruptions due to Covid-19 and shrinking business activities, in particular in the Digital Marketing segment. Against such acute business and economic environment, the Group focused on improving profit margins, conserving resources and reducing expenses. During the year, the revenue of Digital Marketing has decreased 75% from HK\$198,394,000 in 2021 to HK\$50,313,000 in 2022.

In streamlining its operations, the operation of the Group's two 55% owned subsidiaries in Beijing, including Beijing Skyvior Technology Co. Ltd ("Beijing Skyvior") and Hyperchannel Info Tech., Ltd ("Hyperchannel Info"), specializing in Digital Marketing, apply big data analysis in matching IPs to assist customers in marketing products and services, were consolidated. During the year, the Company continued to emphasize on working closely with customers engaged in consumer products distribution or social media platforms, and focused on selecting projects with better profit margins, instead of pushing for revenue. Overall, gross profit margin of Digital Marketing segment improved from about 17% in 2021 to 30% in 2022. Continuing from last year, due to the Covid-19 pandemic, the original plans for business development and increased manpower were scaled back further, as business is still rather stagnant.

During the last quarter of the fiscal year, Beijing Skyvior cooperated with WPP Marketing Communications (Hong Kong) Limited ("WPP Marketing") and accepted the capital injection, equivalent to 19.9% of total issued share capital, into a subsidiary of the Company. WPP Marketing is part of a prominent international group of marketing and advertising companies. This cooperation allows the Group to expand the scope and base of Digital Marketing business. At the same time, WPP Marketing benefits from the provision of technical support and services of our Digital Marketing team to their customers. The Group is excited about the opportunities offered by this new extension of Digital Marketing business.

During the year, activities of digitalisation and commercialization of IPs, content creation and digital marketing dropped substantially as gifts or accessories, promotional or hosting events almost grinded to a halt during the Covid-19 pandemic lockdowns. The Company has re-directed most of its resources from digitalization and commercialization of IPs and content creation, including personnel, to other Digital Marketing activities.

As the overall economic condition is gradually improving, the Group continues to focus on reviving new business developments with emphasis on consolidating and improving operational efficiency to strengthen and build the overall Digital Marketing business to be more resilient and competitive.

Publishing and IP Licensing Business

The Publishing and IP licensing business is still rather static. Revenue from licensing, were HK\$3,470,000 in 2022 and HK\$3,774,000 in 2021. The Company has been able to achieve a break-through in reviving certain Japanese comic book sales by selecting popular past issues and re-packaging them into collector's or commemorable issues. As a result, net publication comic book sales increased from HK\$4,433,000 in 2021 to HK\$8,582,000 in 2022. The Company is putting more effort on publication book sales of IP's owned or under licenses, and to broaden the scope of licensing business.

Retail and Wholesales Business

The Group's premium wine is primary for consumption by high-end consumer groups or restaurants. The Covid-19 pandemic has delayed the implementation of marketing plan to expand sales and distribution channels including online platform and wine dealer for its premium wine. As the lockdowns of bars and entertainment outlets are easing, the Group will again resume the development of distribution channels for the premium wine.

PROSPECT

The prolonged Covid-19 pandemic had caused adverse effect on business and slowed down or delayed new business development. The Digital Marketing business has faced unusual challenges and has been scaling back substantially its operation and focusing on improving profit margins and at the same time reducing expenses. The total number of employees in the Digital Marketing segment were scaled back to 54 at the end of fiscal 2022 from 133 at the end of fiscal 2021. The total number of employees of the Group reduced from 162 in 2021 to 84 in 2022. Although, overall revenue dropped about 70% from HK\$206,605,000 in 2021 to HK\$62,365,000 in 2022. Loss attributable to shareholders of the Company reduced by about 49.4% from HK\$57,191,000 in 2021 to HK\$28,943,000 in 2022. The Group is optimistic about the general economic recovery and will continue to strive to maintain and focus on improving operational efficiency while moving steadily and cautiously in fostering new business development.

The Group has completed the subscription of new shares under specific mandates to an investor in May 2021, raising approximately HK\$41,575,000 to strengthen the financial position of the Group, adding working capital to fund operation, new projects and business development.

In May 2021, the Group has entered into an agreement with third parties to acquire 100% interest in a PRC company specializing in artificial intelligence ("AI") of voice recognition and analyzing hardware and software. The acquisition will entirely be financed by issuing new shares of the Company. This is a new business opportunity and venture of the Group in AI. This transaction has not been completed and is pending for the approval by shareholders.

CLOSURE OF REGISTERS OF MEMBERS

The Principal Register of Members and the branch Registers of Members will be closed from 18 August 2022 to 23 August 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2022 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. 17 August 2022.

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 2022.

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 2022.

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 2022 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 17 August 2021. 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.

On 27 April 2022, the Company has appointed Mr. Wong Kon Man Jason as Non-executive Director and Chairman of the Board of the Company to fill up the vacancy of Chairman.

MINIMUM NUMBERS OF CORPORATE GOVERNANCE COMMITTEE

According to the written terms of reference, the Corporate Governance Committee (the “CGC”) comprised of 4 members. Following the resignation of Mr. Huang Mingguo on 2 July 2021, Ms. Hung Wai Kwan on 8 August 2021, and the appointment of Mr. Wong Kon Man Jason and Mr. Yue Chi Wing on 28 June 2022, the Company currently comprises of four Corporate Governance Committee members, Mr. Kwan Kin Chung, Ms. Chow Lai Wah Livia, Mr. Wong Kon Man Jason and Mr. Yue Chi Wing respectively. The Company has then complied with the written terms of reference of Corporate Governance Committee.

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 2022.

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
Kwan Kin Chung
Managing Director

Hong Kong, 28 June 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*