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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 2019

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 2019 together with the comparative figures for the corresponding year of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
Continuing operations			
Revenue	3	21,715	34,910
Cost of sales		(6,559)	(53,547)
Gross profit (loss)		15,156	(18,637)
Other income	4a	2,511	1,896
Other gains and losses, net	4b	(3,565)	1,648
Other expenses		(18,132)	(10,891)
Salaries and allowances		(11,540)	(7,832)
Operating lease rentals in respect of rental premises		(5,888)	(6,635)
Depreciation expenses		(405)	(1,722)
Share of profit (loss) of an associate		247	(333)
Impairment loss on film right and film production in progress		(963)	(3,383)
Loss before tax	6	(22,579)	(45,889)
Income tax credit (expense)	7	6	(18)
Loss for the year from continuing operations		(22,573)	(45,907)

	NOTES	2019 HK\$'000	2018 HK\$'000 (Restated)
Discontinued operation			
Loss for the year from discontinued operation	16	<u>(9,467)</u>	<u>(11,889)</u>
Loss for the year		<u>(32,040)</u>	<u>(57,796)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		689	316
Reclassification of exchange loss on disposal of a foreign operation		<u>—</u>	<u>854</u>
Other comprehensive income for the year		<u>689</u>	<u>1,170</u>
Total comprehensive expense for the year		<u>(31,351)</u>	<u>(56,626)</u>
Loss for the year attributable to owners of the Company:			
— from continuing operations		(21,868)	(46,153)
— from discontinued operation		<u>(9,467)</u>	<u>(11,889)</u>
		<u>(31,335)</u>	<u>(58,042)</u>
(Loss) profit for the year attributable to non-controlling interests from continuing operations		<u>(705)</u>	<u>246</u>
		<u>(32,040)</u>	<u>(57,796)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(31,392)	(56,313)
Non-controlling interests		<u>41</u>	<u>(313)</u>
		<u>(31,351)</u>	<u>(56,626)</u>
Loss per share			
	9		
From continuing and discontinued operations			
Basic (HK cents)		<u>(2.3)</u>	<u>(4.2)</u>
Diluted (HK cents)		<u>N/A</u>	<u>(4.2)</u>
From continuing operations			
Basic (HK cents)		<u>(1.6)</u>	<u>(3.3)</u>
Diluted (HK cents)		<u>N/A</u>	<u>(3.3)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		837	805
Goodwill	10	19,949	—
Interest in an associate		1,390	1,143
Intangible assets	11	6,162	1,385
Film right	12	117	1,620
Rental deposits		555	555
Financial assets at fair value through profit or loss		5,379	—
		<u>34,389</u>	<u>5,508</u>
Current assets			
Inventories		35,786	38,548
Trade receivables	13	9,969	23,167
Other receivables, deposits and prepayments		12,583	7,821
Tax recoverable		1,262	871
Held for trading investments		—	7,080
Bank balances and cash		220,370	238,393
		<u>279,970</u>	<u>315,880</u>
Current liabilities			
Trade payables	14	737	437
Other payables and accrued charges	14	9,932	9,571
Contract liabilities		114	—
		<u>10,783</u>	<u>10,008</u>
Net current assets		<u>269,187</u>	<u>305,872</u>
Total assets less current liabilities		<u>303,576</u>	<u>311,380</u>
Non-current liability			
Deferred tax liabilities		1,384	698
Net assets		<u>302,192</u>	<u>310,682</u>
Capital and reserves			
Share capital		13,907	13,907
Share premium and reserves		270,842	302,234
Equity attributable to owners of the Company		284,749	316,141
Non-controlling interests		17,443	(5,459)
Total equity		<u>302,192</u>	<u>310,682</u>

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.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for the application of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers”, the application of the new and amendments to HKFRSs and the interpretation in the current year has had no material impact on the Group’s performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

Continuing operations

For the year ended 31 March 2019

	Year ended 31 March 2019					
	Publishing and intellectual properties 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>	Catering <i>HK\$'000</i>	Total <i>HK\$'000</i>
Time of revenue recognised:						
At a point of time						
— Comic books sales	4,688	—	—	—	—	4,688
— Royalty income from intellectual properties 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
— Catering services	—	—	—	—	3,509	3,509
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>3,509</u>	<u>21,715</u>
Principal	11,059	1,337	4,703	26	3,509	20,634
Agent	—	—	1,081	—	—	1,081
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>3,509</u>	<u>21,715</u>
Geographical markets:						
Hong Kong (place of domicile)	11,059	—	—	26	—	11,085
The People's Republic of China ("PRC")	—	1,337	5,784	—	—	7,121
Macau	—	—	—	—	3,509	3,509
Total	<u>11,059</u>	<u>1,337</u>	<u>5,784</u>	<u>26</u>	<u>3,509</u>	<u>21,715</u>

4a. OTHER INCOME

Continuing operations

During the year ended 31 March 2019, other income included bank interest income of HK\$1,459,000 (2018: HK\$89,000).

4b. OTHER GAINS AND LOSSES, NET

Continuing operations

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss on disposal of subsidiaries (<i>Note 16</i>)	—	(848)
Loss on fair value change of financial assets at fair value through profit or loss	(1,701)	—
Gain on fair value change of held for trading investments	—	428
Net foreign exchange (loss) gain	(1,649)	2,247
Reversal of impairment loss on deposits	—	1,021
Impairment loss on trade receivables, net of reversal	(215)	(421)
Loss on written off of property, plant and equipment	—	(779)
	<u> </u>	<u> </u>
	<u>(3,565)</u>	<u>1,648</u>

5. 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 under HKFRS 8 *Operating Segments* are as follows:

- Publishing and intellectual properties licensing: publication of comic books and royalty income from licensing intellectual properties of comics.
- Online and social business: operation of digital cinema, film production and development of multi-media application.
- Digital marketing: providing digital marketing and communication, intellectual property digitalisation and agency of intellectual property services in the PRC.
- Retailing and wholesales: retailing of wine in Hong Kong and Macau.
- Catering: catering services in Macau.

During the year ended 31 March 2019, the Group commenced the business in digital marketing through acquisition of a subsidiary as detailed in Note 15.

For the year ended 31 March 2019, Ucan Commercial Limited and its subsidiary (collectively referred to as the “Ucan Commercial Group”) was disposed and its operation in development of multi-media application is presented as discontinued operation. Details of the discontinued operation is further set out in Note 16.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments.

For the year ended 31 March 2019

	Publishing and intellectual properties 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>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
		(Continuing operations)	(Discontinued operation)				
Revenue							
External sales	<u>11,059</u>	<u>1,337</u>	<u>—</u>	<u>5,784</u>	<u>26</u>	<u>3,509</u>	<u>21,715</u>
Segment results from continuing and discontinued operations	<u>2,585</u>	<u>(1,481)</u>	<u>(9,467)</u>	<u>(5,396)</u>	<u>(927)</u>	<u>(1,360)</u>	(16,046)
Loss for the year from discontinued operation							<u>9,467</u>
Segment results from continuing operations							(6,579)
Unallocated expenses							(15,319)
Unallocated income							2,128
Other gains and losses, net							<u>(2,809)</u>
Loss before tax							<u>(22,579)</u>

For the year ended 31 March 2018

	Publishing and intellectual properties 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>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
		(Continuing operations)	(Discontinued operation)				
Revenue							
External sales	<u>8,367</u>	<u>3,147</u>	<u>—</u>	<u>—</u>	<u>20,378</u>	<u>3,018</u>	<u>34,910</u>
Segment results from continuing and discontinued operations	<u>1,822</u>	<u>(34,930)</u>	<u>(11,889)</u>	<u>—</u>	<u>414</u>	<u>(2,944)</u>	<u>(47,527)</u>
Loss for the year from discontinued operation							<u>11,889</u>
Segment results from continuing operations							(35,638)
Unallocated expenses							(13,282)
Unallocated income							1,596
Other gains and losses, net							<u>1,435</u>
Loss before tax							<u>(45,889)</u>

Segment results represent the profit (loss) before tax incurred by each segment without the allocation of certain other income, loss on disposal of subsidiaries, loss on fair value change of financial assets at fair value through profit or loss, gain on fair value change of held for trading investments, share of profit (loss) 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 2019

	Publishing and intellectual properties licensing HK\$'000	Online and social business		Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Catering HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
		(Continuing operations)	(Discontinued operation)						
Amounts regularly provided to the CODM:									
Addition to non-current assets	293	57	—	24,713	—	—	25,063	37	25,100
Amounts included in the measure of segment profit or loss:									
Depreciation of property, plant and equipment	129	123	23	13	23	—	311	94	405
Impairment loss on film right	—	963	—	—	—	—	963	—	963
Amortisation of intangible assets	—	—	—	295	—	—	295	—	295
Amortisation of film right	—	540	—	—	—	—	540	—	540
Bank interest income	(88)	(7)	(3)	(22)	—	—	(120)	(1,339)	(1,459)
Consultancy and professional fees	29	50	—	—	49	—	128	1,135	1,263
Impairment loss on trade receivables, net of reversal	40	—	—	175	—	—	215	—	215
Research and development expenses	—	—	6,490	—	—	—	6,490	—	6,490

For the year ended 31 March 2018

	Publishing and intellectual properties licensing HK\$'000	Online and social business		Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Catering HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
		(Continuing operations)	(Discontinued operation)						
Amounts regularly provided to the CODM:									
Addition to non-current assets	55	726	—	—	—	475	1,256	61	1,317
Amounts included in the measure of segment profit or loss:									
Depreciation of property, plant and equipment	132	740	22	—	23	697	1,614	130	1,744
Reversal of impairment losses on deposits	—	(1,021)	—	—	—	—	(1,021)	—	(1,021)
Impairment loss on film right and film production in progress	—	3,383	—	—	—	—	3,383	—	3,383
Amortisation of film right	—	29,405	—	—	—	—	29,405	—	29,405
Bank interest income	(13)	(6)	(4)	—	—	—	(23)	(66)	(89)
Consultancy and professional fees	377	94	—	—	109	—	580	2,034	2,614
Impairment loss on trade receivables, net of reversal	—	—	—	—	421	—	421	—	421
Research and development expenses	—	—	6,600	—	—	—	6,600	—	6,600

Geographic information

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

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		Non-current assets	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong (place of domicile)	11,085	29,123	3,975	5,309
The PRC	7,121	2,769	24,840	6
Macau	3,509	3,018	195	193
	21,715	34,910	29,010	5,508

Information about major customers

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A ¹	N/A ⁴	10,157
Customer B ¹	N/A ⁴	10,145
Customer C ²	3,180	3,581
Customer D ²	3,439	2,789
Customer E ³	3,640	N/A ⁴
Customer F ²	2,907	N/A ⁴

¹ Revenue from retailing and wholesales segment.

² Revenue from publishing and intellectual properties licensing segment.

³ Revenue from digital marketing segment.

⁴ No revenue is recognised in profit or loss for the corresponding year.

Revenue from major products and services

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Comic books	4,688	4,556
Premium wine	26	20,378
Royalty income	6,371	3,811
Digital cinema operation	1,337	2,769
Digital marketing	5,784	—
Catering service	3,509	3,018
Others	—	378
	<u>21,715</u>	<u>34,910</u>

6. LOSS BEFORE TAX

Continuing operations

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	5,053	3,669
Other staff costs:		
— Retirement benefit scheme contributions	278	284
— Salaries and other benefits	11,262	7,548
	<u>16,593</u>	<u>11,501</u>
Auditor's remuneration		
— Audit services	1,352	1,520
— Non-audit services	132	461
Amortisation of film right (included in cost of sales)	540	29,405
Consultancy and professional fees (included in other expenses) (<i>Note</i>)	1,263	2,614
Cost of inventories recognised as expenses (including allowance for inventories in Nil (2018: HK\$397,000))	2,002	26,080
Costs to fulfil the contracts with customers	<u>2,322</u>	<u>—</u>

Note:

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

7. INCOME TAX CREDIT (EXPENSE)

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% (2018: 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 People’s Republic of China 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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Underprovision in prior years		
— Hong Kong	—	(32)
Deferred tax		
— Deferred tax credit	<u>6</u>	<u>14</u>
	<u>6</u>	<u>(18)</u>

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of reporting period (2018: Nil).

9. LOSS PER SHARE

From continuing operations

The calculation of the basic (2018: basic and diluted) loss per share attributable to the owners of the Company is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Loss for the year attributable to owners of the Company for the purposes of basic (2018: basic and diluted) loss per share	(31,335)	(58,042)
Less: Loss for the year from discontinued operation	<u>9,467</u>	<u>11,889</u>
Loss for the purpose of basic (2018: basic and diluted) loss per share from continuing operations	<u>(21,868)</u>	<u>(46,153)</u>
	2019 '000	2018 '000
Number of shares for the purposes of basic (2018: basic and diluted) loss per share	<u>1,390,657</u>	<u>1,390,657</u>

From continuing and discontinued operations

The calculation of the basic (2018: basic and diluted) loss per share attributable to the owners of the Company is based on the following data:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Loss for the year attributable to owners of the Company for the purpose of basic (2018: basic and diluted) loss per share	<u>(31,335)</u>	<u>(58,042)</u>

The denominators used are the same as those detailed above for basic (2018: both basic and diluted) loss per share.

From discontinued operation

Basic (2018: basic and diluted) loss per share for the discontinued operation is HK0.7 cent per share (2018: HK0.9 cent per share), based on the loss for the year from the discontinued operation of HK\$9,467,000 (2018: HK\$11,889,000) and the denominators used are the same as those detailed above for basic (2018: both basic and diluted) loss per share.

No diluted loss per share for the year ended 31 March 2019 was presented as there were no potential ordinary shares in issue for the year ended 31 March 2019.

For the year ended 31 March 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants and share options since their assumed exercise would result in a decrease in loss per share.

10. GOODWILL

HK\$'000

At 1 April 2017 and 31 March 2018	—
Acquired on acquisition of a subsidiary (<i>Note 15</i>)	19,613
Exchange realignment	336
	<hr/>
At 31 March 2019	19,949
	<hr/> <hr/>

Goodwill is allocated to the Cash Generating Unit (“CGU”) of a wholly owned subsidiary, 北京易奇門科技有限公司 (“Eqmen”), which is engaged in digital marketing business, is arising from the acquisition as at 31 August 2018.

The Group engaged Valor Appraisal & Advisory Limited, an independent professional valuer, to assist in determining the discount rate on the cash flows projection. During the year ended 31 March 2019, the management determined that there is no impairment on the CGU containing goodwill.

11. INTANGIBLE ASSETS

	Club memberships HK\$'000	Customer contracts and related customer relationship HK\$'000	Software HK\$'000	Total HK\$'000
COST				
At 1 April 2017 and 31 March 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
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	1,385	2,802	2,270	6,457
	<hr/>	<hr/>	<hr/>	<hr/>
AMORTISATION				
At 1 April 2017 and 31 March 2018	—	—	—	—
Charge for the year	—	166	129	295
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2019	—	166	129	295
	<hr/>	<hr/>	<hr/>	<hr/>
CARRYING VALUES				
At 31 March 2019	1,385	2,636	2,141	6,162
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2018	1,385	—	—	1,385
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12. FILM RIGHT

Film right of HK\$117,000 (2018: HK\$1,620,000) represented interest in one film right jointly controlled by the Group and by an independent third party in the PRC. During the current year, the Group recognised amortisation of HK\$540,000 (2018: HK\$29,405,000) on the completion of film's theatrical release or internet release in the PRC (included in cost of sales).

Due to unsatisfactory result of its box office or internet broadcast and the uncertain future return of the film, the Directors conducted a review on the recoverable amount of the film right as at 31 March 2018 and 31 March 2019 and have been determined on the basis of its value in use which was determined based on the present value of the estimated future cash flows expected to be generated by the film right. During the year ended 31 March 2019, an impairment loss of HK\$963,000 (2018: HK\$1,647,000) has been recognised in profit or loss.

13. TRADE RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	10,605	24,216
<i>Less: allowance for credit losses</i>	<u>(636)</u>	<u>(1,049)</u>
	<u>9,969</u>	<u>23,167</u>

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK\$9,969,000 and HK\$23,167,000, respectively.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 — 60 days	1,870	22,203
61 — 90 days	751	224
91 — 180 days	7,348	670
Over 180 days	<u>—</u>	<u>70</u>
	<u>9,969</u>	<u>23,167</u>

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$636,000 which are past due as at the reporting date. Included in the past due balances, impairment loss HK\$215,000 has been provided during the year ended 31 March 2019.

As at 31 March 2018, 96% of the trade receivables that are neither past due nor impaired have the best credit standing under the credit assessment made by the directors of the Company and the directors considered that these trade receivables have no adverse change in the credit standing of the debtors subsequent to the reporting period.

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$1,018,000 which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances and no interest is charged on overdue trade receivables.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2018 <i>HK\$'000</i>
Overdue by:	
0 to 60 days	857
61 to 90 days	43
91 to 180 days	66
Over 180 days	52
	<hr/>
	1,018
	<hr/> <hr/>

Movements in the allowance for doubtful debts:

	2018 <i>HK\$'000</i>
At beginning of the year	628
Allowance for doubtful debts	421
	<hr/>
At end of the year	1,049
	<hr/> <hr/>

14. 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.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 — 60 days	604	406
61 — 90 days	102	—
Over 90 days	<u>31</u>	<u>31</u>
	<u><u>737</u></u>	<u><u>437</u></u>

The average credit period on purchases of goods ranges from 30 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 the accrued operating expenses for both years.

15. ACQUISITION OF A SUBSIDIARY

During the current year, Culturecom (Hong Kong) Limited, a wholly-owned indirect subsidiary of the Group, acquired 55% equity interest by contributing capital in form of cash of Renminbi (“RMB”) 40,000,000 (equivalent to approximately HK\$47,555,000) in Eqmen, a company established in the PRC. The transaction was completed on 31 August 2018 and accounted for as an acquisition of business, namely the digital marketing business, using the acquisition method. Eqmen is principally engaged in the digital marketing business in the PRC and was acquired with the objective of diversifying the Group’s business.

Consideration transferred

	<i>HK\$'000</i>
Cash	<u><u>47,555</u></u>

Acquisition-related costs amounting to approximately HK\$112,000 have been excluded from the cost of acquisition and have been recognised directly as an expense during the year ended 31 March 2019 and included in the “other expenses” line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

HK\$'000

Property, plant and equipment	46
Intangible assets	2,823
Bank balance and cash	44,863
Trade receivables	1,668
Other receivables, deposits and prepayments	3,084
Other payables and accrued charges	(669)
Contract liabilities	(320)
Deferred tax liabilities	(692)
	<hr/>
	50,803
	<hr/> <hr/>

The fair value of trade receivables and other receivables amounted to approximately HK\$1,668,000 and HK\$494,000, representing gross contractual amounts at the date of acquisition and contractual cash flows are expected to be fully collected.

Non-controlling interests

The non-controlling interest (45%) in Eqmen recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Eqmen Technology Limited and amounted to approximately HK\$22,861,000.

Goodwill arising on acquisition

HK\$'000

Consideration transferred	47,555
Plus: non-controlling interests	22,861
Less: recognised amount of identifiable net assets acquired (100%)	(50,803)
	<hr/>
Goodwill arising on acquisition	19,613
	<hr/> <hr/>

Goodwill arose on the acquisition of Eqmen because the acquisition included the assembled workforce of Eqmen 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 outflows arising on acquisition

HK\$'000

Consideration paid in cash	47,555
Less: cash and cash equivalent balances acquired	<u>(44,863)</u>
	<u><u>2,692</u></u>

Impact of acquisition on the results of the Group

Included in the loss for the year is loss amounted to approximately HK\$2,462,000 attributable to Eqmen. Revenue for the year includes HK\$5,562,000 is attributable to Eqmen.

Had the acquisition of Eqmen 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 2019 would have been approximately HK\$23,332,000 pro forma and loss for the year from continuing operations would have been HK\$30,294,000. 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 Eqmen been acquired at the beginning of the year, the Directors have calculated depreciation of plant and equipment and amortisation intangible assets based on the recognised amounts of plant and equipment and intangible assets at the date of the acquisition.

16. DISPOSAL OF SUBSIDIARIES

2019

Discontinued operation

Disposal of Ucan Commercial Group

On 28 March 2019, the Group entered into an agreement to dispose of its wholly owned subsidiaries, Ucan Commercial Limited and its subsidiary to an independent third party, for a cash consideration HK\$30,000. Ucan Commercial Group's principal activity was development of multi-media application and production and distribution of film, in which the operation in development of multi-media application was considered as a discontinued operation. The transaction was completed on 29 March 2019, the date which the control of Ucan Commercial Group has been passed to the independent third party.

The Group's share of net liabilities of Ucan Commercial Group at the date of disposal and the effect of disposal were as follows:

HK\$'000

Consideration:

Consideration received	<u>30</u>
------------------------	-----------

**28 March
2019
HK\$'000**

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	24
Inventories	2,737
Trade receivables	14
Other receivables, deposit and prepayments	104
Bank balances and cash	1,257
Other payables and accrued charges	<u>(4,579)</u>

Net liabilities disposed of	<u>(443)</u>
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Gain on disposal of subsidiaries:

Consideration received	30
Net liabilities disposed of	<u>443</u>

Gain on disposal	<u>473</u>
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Net cash outflow arising on disposal:

Cash consideration received	30
<i>Less:</i> bank balances and cash disposed of	<u>(1,257)</u>

(1,227)

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 2019 HK\$'000	Year ended 2018 HK\$'000
Loss for the year	(9,940)	(11,889)
Gain on disposal of Ucan Commercial Group	<u>473</u>	<u>—</u>
	<u>(9,467)</u>	<u>(11,889)</u>

The results of the operation for the period from 1 April 2018 to 28 March 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 28 March 2019 HK\$'000	Year ended 31 March 2018 HK\$'000
Other income	3	4
Other expenses	(7,396)	(8,483)
Salaries and allowances	(1,527)	(2,325)
Operating lease rentals in respect of rental premises	(997)	(1,063)
Depreciation expenses	(23)	(22)
	<u>(9,940)</u>	<u>(11,889)</u>

Loss for the year from discontinued operation includes the following:

Auditor's remuneration	330	330
Research and development expenses (<i>Note</i>)	6,490	6,600
Other staff costs:		
— Retirement benefit scheme contributions	10	4
— Salaries and other benefits	1,517	2,321
	<u>1,517</u>	<u>2,321</u>

Note: The amount mainly represent research and development expenses incurred for the development of multi-media applications.

No tax charge or credit arose on gain on disposal.

2018

Disposal of Success Dynasty Limited ("Success Dynasty") and its subsidiary

On 18 September 2017, the Group entered into an agreement to dispose of its wholly owned subsidiary, Success Dynasty Limited, and its subsidiaries (collectively referred to as the "Success Group") to an independent third party, for a cash consideration US\$250,000 (equivalent to approximately HK\$1,950,000). Success Dynasty's principal activity was investment holding with a subsidiary engaged in crude oil exploration service business. The transaction was completed on 18 September 2017, the date which the control of Success Dynasty Group has been passed to the independent third party.

The Group's shares of net assets of Success Dynasty at the date of disposal and the effect of disposal were as follows:

HK\$'000

Consideration receivable:	
Other receivable (included in other receivables)	<u>1,950</u>
Analysis of assets over which control was lost:	
Property, plant and equipment	39
Bank balances and cash	<u>1,905</u>
Net assets disposed of	<u>1,944</u>
Loss on disposal of subsidiaries:	
Consideration receivable	1,950
Net assets disposed of	(1,944)
Reclassification of exchange loss on disposal	<u>(854)</u>
Loss on disposal	<u>(848)</u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>(1,905)</u>

The Success Group contributed loss of HK\$737,000 (2019: Nil) to the Group during the year ended 31 March 2018. No tax charge or credit arose on loss on the disposal.

17. EVENT AFTER THE REPORTING PERIOD

On 24 May 2019, the Group entered into continuing connected transactions between its subsidiary and the subsidiary's non-controlling interest, Beijing WeiResearch Info Technology Limited ("WeiResearch"). Two contracts are signed between both parties including servicing agreement and licensing agreement. For the servicing agreement, the Group will provide a project-based services to WeiResearch and the monetary cap of the services are RMB80,000,000 until 31 December 2019. For the licensing agreement, WeiResearch will provide the exclusive right to license the software to the Group with an annual monetary cap of RMB750,000 in the coming three years.

DIVIDEND

No dividend was paid or proposed during the year of 2019 and 2018, 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 2019 decreased by 46.0% to HK\$31,335,000 or 45.2% to HK2.3 cents per share (31 March 2018: loss of HK\$58,042,000 or HK4.2 cents per shares).

The analysis of consolidated statement of profit and loss and other comprehensive income for the year ended 31 March 2019 is as follows:

1. Revenue

For the year ended 31 March 2019, the Group's overall turnover decreased by approximately 37.8% to HK\$21,715,000 of which approximately HK\$11,059,000, HK\$1,337,000, HK\$5,784,000, HK\$26,000 and HK\$3,509,000 (31 March 2018: HK\$8,367,000, HK\$3,147,000, nil, HK\$20,378,000 and HK\$3,018,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, digital marketing, retailing and wholesales and catering respectively.

The Group has recorded an increase in turnover for the business of publishing and intellectual properties licensing, representing an increase of approximately 32.2%. The increase was mainly attributable to increase efforts on intellectual properties ("IP") licensing.

For the year ended 31 March 2019, the turnover of the online and social business segment has decreased by 57.5% to HK\$1,337,000 compared to last year. The drop was mainly due to the industry of digital cinema experiencing a slowdown in the PRC.

The turnover of HK\$5,784,000 in the digital marketing business is from an acquisition of a new subsidiary and a newly incorporated subsidiary in the PRC.

The turnover of retailing and wholesales segment represents the sales of premium wine of HK\$26,000 for the year ended 31 March 2019.

The catering services in Macau reported an increase in revenue of 16.3% to HK\$3,509,000 as compared to the year of 2018 due to improvement of the market conditions in general.

2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$15,156,000 with a gross profit margin of 69.8% for the year ended 31 March 2019 as compared to the year of 2018, which recorded a gross loss of HK\$18,637,000. The gross loss for the year of 2018 was due to the one-off amortization of film right of “On the Pitch” of HK\$29,405,000 on the completion of the film’s theatrical release in the PRC during the year of 2018. The amortization of film right for the year of 2019 was HK\$540,000. Comparing the gross profits for both periods, the improvement was due to the improvement of cost control and market conditions in general.

3. Other expenses

The Group recorded an aggregate other expenses from continuing operations of approximately HK\$18,132,000 for the year ended 2019 (2018: HK\$10,891,000) and from discontinued operation of approximately HK\$7,396,000 for the year ended 2019 (2018: HK\$8,483,000) respectively. Such other expenses include audit fee, corporate fee, directors’ emolument, consultancy and other professional fee. The increase in other expenses from continuing operations was mainly due to the new subsidiaries in the PRC for digital marketing.

The other expenses from discontinued operation were mainly research and development expense incurred for the development of multi-media applications in the amount of approximate HK\$6,490,000 and HK\$6,600,000 for the year ended 31 March 2019 and 2018 respectively. Despite the increase in the total expenses for the year ended 31 March 2019 as compared to the same period of previous year, the Group was able to cut and control its total loss.

4. Loss before tax

The Group recorded a loss before tax from continuing operations of approximately HK\$22,579,000 for the year ended 31 March 2019 (2018: HK\$45,889,000). Loss from discontinued operation of approximately HK\$9,467,000 for the year ended 31 March 2019 (2018: HK\$11,889,000). The Group has been successful in controlling costs and cutting off non-profitable operations. The Group is confident that with continuous control and reduction of costs, and continuous development in our core IPs related business, the Group will return to profitability.

Also, as at 31 March 2019, the Group has net asset of approximately HK\$302,192,000 (31 March 2018: HK\$310,682,000). Net asset value per share of HK\$0.22 (2018: HK\$0.22).

ACQUISITION OF A SUBSIDIARY

On 28 March 2018, Culturecom (Hong Kong) Limited, a wholly-owned indirect subsidiary of the Group has entered into a capital increase agreement (the “Agreement”) with Eqmen Technology Limited (“Eqmen”) and its existing equity holders to increase the registered capital and capital reserves of Eqmen in form of cash of RMB40,000,000 (approximately HK\$47,555,000). Eqmen is principally engaged in the digitalisation and commercialisation of IPs, content creation, agency of IPs services and digital marketing. Upon completion, the equity interest in Eqmen is owned 55% by Culturecom (Hong Kong) Limited and 45% by the existing equity holders. This transaction was completed on 31 August 2018.

DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2019, the Group implemented measures to streamline its operations.

On 28 March 2019, the Group entered into an agreement to dispose of the entire shareholdings of its wholly owned subsidiary, Ucan Commercial Limited and its subsidiary, to an independent third party for a cash consideration of HK\$30,000. The transaction was completed on 29 March 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2019, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$220,370,000 and financial assets at fair value through profit or loss of approximately HK\$5,379,000. The Group has no significant exposure to foreign exchange rate fluctuation except for the currency of RMB. As of 31 March 2019, the Group had a net current asset of approximately HK\$269,187,000 (31 March 2018: HK\$305,872,000) and a current ratio of 26.0 (31 March 2018: 31.6). The Group’s total liabilities as of 31 March 2019 amounted to approximately HK\$12,167,000 (31 March 2018: HK\$10,706,000) and represented approximately 4.3% (31 March 2018: 3.4%) 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 2019, the Group had a total of 99 employees of which 32 are based in Hong Kong, 9 in Macau and 58 in the PRC. Total staff costs from continuing and discontinued operations incurred for the year ended 31 March 2019 amounted to approximately HK\$18,120,000 (31 March 2018: HK\$13,826,000). 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.

BUSINESS REVIEW

During the year, the Group has continued on streamlining operations and business segments, controlling costs and developing IPs marketing and related businesses, employing technology and digitalisation with a broad data base of IPs transactions and evaluation, to support customers in formulating marketing strategies, using traditional or digital media channels .

The net loss for the year was reduced from HK\$57,796,000 in 2018 by HK\$25,756,000 to HK\$32,040,000 in 2019, a 44.6% reduction. The Group recorded a gross profit of HK\$15,156,000 comparing to a gross loss of HK\$18,637,000 of last year. This turn-around reflects the payoff of our continuing development of IPs related businesses, our efforts in disengaging from the risky film production and distribution business and online social and media business. The Group continues to focus on the development of IPs marketing, adding values to our customers' IPs and investing in quality IPs and the right to use exclusively certain prominent IPs owned or developed by third parties.

The Group while cautious on costs control, is also deploying additional resources, in particular hiring and adding capable human resources, in managing and expanding business. The Group is on solid and stable growth path to return to profit and becoming a reckoned participant in the IPs marketing business.

Publishing and intellectual properties licensing

The higher IP licensing income of HK\$11,059,000 comparing to HK\$8,367,000 from last year was mainly attributable to increased efforts on IP licensing, while revenue from publishing of comic books has remained rather static, generating income of HK\$4,688,000 comparing to HK\$4,556,000 in the last year.

As digital media is replacing fast printed version, the Group has re-aligned its operations in adapting to the change and trying to capture more readers and customers. The Group has devoted more resources to build a digital presence by digitalising and commercialising its IPs, connecting with online platforms for our publications and producing content using new technologies such as animation videos and Virtual Reality (VR) effects. The Group is investing in a transition to digitalisation of its IPs licensing and comic publishing business.

Online and social business

The Group suffered heavy losses in impairment and writing off of film rights and film production in progress, which amounted to HK\$32,788,000 in 2018; and the Group stopped investing in film production and distribution. The Group continued to scale down and divest from investing in online and social media business this year. Segment loss during the year has reduced from HK\$34,930,000 in 2018 to HK\$1,481,000.

In March this year, the Group disposed Ucan Commercial Limited and its subsidiary, a subsidiary engaged in building an online and social business. While shunning from investing in the online and social media platform, the Group is deploying its resources to focus on only producing media, including short films, for customers' IP marketing or promotional events. The Group is expecting this new media marketing segment, while both online and offline, will generate additional revenue and profit for the Group.

Digital marketing

The Group announced in March last year that it entered into an agreement to take a controlling stake of 55% in 北京易奇門科技有限公司 (“EQmen”). EQmen is principally engaged in the digitalisation and commercialisation of IPs, content creation and digital marketing. The investment amount is RMB40,000,000 (or about HK\$47,555,000) for new shares of the company. An unexpected delay in completion of this acquisition due to finalisation of certain formalities, contributed revenue of HK\$5,784,000 from September 2018. After becoming a subsidiary of the Group, EQmen has embarked on the strengthening of its technical and marketing teams and its management system. Starting a period of investment to build a strong base for expansion its IPs marketing and commercialisation business. EQmen has been collaborating with certain prominent IPs owners, including the National Palace Museum 故宮博物院. While it is trying to secure right to use certain prominent IPs, it is difficult to gain exclusive licensing arrangement. The Group is rendering its full support to EQmen to either gain access to exclusive licensing right of quality IPs or acquisition of IPs outright. The Group and EQmen both realize the possession of a portfolio of quality IPs is foundation to build a strong base to develop business. In March this year, EQmen signed a 3-year licensing and IP marketing agreement with a government unit directly under the National Copyright Administration of the PRC 國家版權局, which is responsible for the registration of all copyrights, including written, musical, or images. The collaboration aims at promoting the licensing of registered IPs and to facilitate IP owners in the bridging of a commercial relationship with customers thereby broadening the services offered to registered IP owners and, at the same time, creating and adding values to the registered IPs. EQmen, in addition to putting forth IP marketing plans, is also responsible for creating derivatives of the IPs for IP owners to broaden their commercial usages. EQmen is allowed to gain access to the IP database of registered IPs and to use official platforms of the government unit to launch programs in promoting IP marketing services. The program under this arrangement, is tentatively labeled as “IP 直通車” or “IP Express”, to be launched on the government unit's official platforms. The Group is prepared to commit to fully support EQmen in securing access to a broad portfolio of IPs and to assist EQmen in the transformation to become a prominent, technology driven, IP licensing and marketing operator in Hong Kong and the PRC.

In May this year, the Group has entered into a joint-venture with 北京微瑞思創信息科技股份有限公司 (“WeiResearch”). WeiResearch has ongoing business relationship and contractual arrangements with a number of electronic media and electronic social media including but not limited to Sina Weibo, WeChat, TikTok, Kuaishou, etc. The collaboration enables the development of the Group's digital business through proactive marketing with its existing and new clients, and enhancing target marketing effectiveness through the expertise of WeiResearch, employing more comprehensive

data analysis techniques focusing on actual results of market media. This business venture allows the Group to supplement EQmen's IP marketing by deepening the overall technical capabilities of marketing media analysis.

A subsidiary of the Group using media data analysis commenced a trial project in February 2019 with Vipshop Holdings Limited (NYSE: VIPS), a New York Stock Exchange listed leading e-commerce operator, to enlist new customers utilizing our technical knowledge and IP marketing skills to select KOLs (Key Opinion Leaders) and MCNs (Multiple Channels Network) to promote Vipshop's products on Weibo platform. In a two-month trial period, over 6,000 new customers were enlisted, with enhancement to existing customer spending. Although the full impact and actual overall performance of this trial project were yet to be fully assessed and performance standard to be fine tuned. The Group proved that its technical ability of digital IP marketing is solid and effective, and The Group is looking forward to continue and to deepen our collaboration with Vipshop.

The Group is fully committed to become a prominent player of IP marketing. The slogan for our IP Marketing is "All Businesses are Digitalised, and All Digitalisation are Commercialised, 一切業務數據化，一切數據業務化".

Retailing and wholesales

Faced with the uncertain global economic outlook and the vulnerable Hong Kong retail market, the overall retail and wholesale of premium wine business environment has been unstable and challenging for the year ended 31 March 2019.

The Group hired a wine and beverage consultant to study the various distribution channels for premium wine. The Group continues to explore new marketing channels, with particular focus on wholesale or block sales, and adjusting its sales and marketing strategies aiming at volume rather than price.

Catering

The Group is controlling tightly running costs of its catering services, combining with a slightly improved market conditions, overall the segment loss during the year is reduced 53.8% from HK\$2,944,000 to HK\$1,360,000.

PROSPECT

It is the primary objective of the Group in the past two years is to streamline existing businesses. Looking ahead, the Group will continue to seek new business opportunities, to strive to build on and expand its IP marketing business in Hong Kong and the PRC. The focus will be on enhancing our core competitiveness in content production, IP digitalisation and commercialisation, by investing in businesses and human resources with strong technical and marketing capabilities. This year, the Group has been successful in transforming from the traditional IP licensing and publishing to digitalisation, coming off from online and social media to focusing on IP marketing and licensing.

The Group aims to strengthen and expand our client base and business operations, expand and deepen our existing scope of digital marketing services and to continue to pursue growth through internal growth or investments in capable digital marketing teams or operations, employing advance technical and market driven methodologies.

The Group is confident that it has and will continue to build a solid foundation for expansion and a path to return to profitability.

CLOSURE OF REGISTERS OF MEMBERS

The Principal Register of Members and the branch Registers of Members will be closed from 23 August 2019 to 28 August 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2019 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. 22 August 2019.

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 2019.

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 2019.

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 2019 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 A.5.6

Under the code provision A.5.6, the nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. The Board is actively considering the adoption of the relevant policy. In view of achieving a sustainable and balanced development, the Company sees increasing diversity on the board of directors ("the Board") as an essential element in supporting the achievement of its strategic objectives and its sustainable development.

The Company recognizes the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

A summary of a Policy aiming to set out the approach to achieve a balanced and a diversified Board together with the measurable objectives set for implementing this Policy, and the progress made towards achieving those objectives will be disclosed in the annual corporate governance report.

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 22 August 2018. 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.

MINIMUM NUMBERS OF AUDIT COMMITTEE MEMBERS

Following the retirement of Mr. Joseph Lee Chennault on 22 August 2017, the Company comprises of two Audit Committee members, Mr. Lai Qiang and Mr. Fan Chun Wah Andrew, the number of which fell below the minimum number required under rules 3.21 of the Listing Rules.

After the appointment of Mr. Wong Kwan Kit as Independent Non-executive Director of the Company on 3 July 2018, the Company has then complied with the Rules 3.21 of the Listing Rules.

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 2019.

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 2019

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*