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天泓文创

Icon Culture Global Co.Ltd

# Icon Culture Global Company Limited
# 天泓文創國際集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8500)**

## UPDATE ON THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Icon Culture Global Company Limited (the "**Company**" and together with its subsidiaries, the "**Group**") dated 31 March 2020 (the "**2019 Results Announcement**") in relation to the unaudited consolidated annual results of the Group for the financial year ended 31 December 2019 (the "**2019 Unaudited Annual Results**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same respective meanings as those defined in the 2019 Results Announcement.

## COMPLETION OF THE 2019 AUDIT

The Board is pleased to announce that the Group's independent auditor, KPMG (the "**Auditor**"), has completed its audit of the consolidated financial statements of the Group for the Year in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The 2019 Annual Results have been reviewed by the Audit Committee and approved by the Board as at the date of this announcement.

Set out below is the audited consolidated financial results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Expressed in Renminbi)*

| | *Note* | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **Revenue** | *2* | **150,099** | 208,941 |
| Cost of sales | | **(171,676)** | (167,699) |
| **Gross profit** | | **(21,577)** | 41,242 |
| Other revenue | | **1,229** | 2,798 |
| Other net income/(loss) | | **143** | (1,468) |
| Selling expenses | | **(2,746)** | (3,321) |
| Administrative expenses | | **(27,991)** | (14,049) |
| **(Loss)/profit from operations** | | **(50,942)** | 25,202 |
| Finance costs | | **(613)** | (485) |
| **(Loss)/profit before taxation** | | **(51,555)** | 24,717 |
| Income tax | *3* | **9,266** | (6,245) |
| **(Loss)/profit for the year attributable to equity shareholders of the Company** | | **(42,289)** | 18,472 |
| **(Loss)/earnings per share (RMB)** | | | |
| Basic | *4* | **(0.31)** | 0.14 |
| Diluted | *4* | **(0.31)** | 0.14 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**
*(Expressed in Renminbi)*

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(Loss)/profit for the year** | **(42,289)** | 18,472 |
| **Other comprehensive income for the year** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency | **(194)** | – |
| Other comprehensive income for the year | **(194)** | – |
| **Total comprehensive income for the year attributable to equity shareholders of the Company** | **(42,483)** | 18,472 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*(Expressed in Renminbi)*

| | Note | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,335** | 947 |
| Right-of-use assets | | **5,059** | 15,374 |
| Deferred tax assets | | **10,206** | 921 |
| **Total non-current assets** | | **16,600** | 17,242 |
| **Current assets** | | | |
| Financial assets | | **–** | 1,775 |
| Trade and other receivables | *6* | **81,575** | 67,077 |
| Restricted deposits with a bank | | **7,342** | 7,342 |
| Cash and cash equivalents | | **28,852** | 36,008 |
| **Total current assets** | | **117,769** | 112,202 |
| **Current liabilities** | | | |
| Trade and other payables | *7* | **120,948** | 33,966 |
| Contract liabilities | | **8,781** | 4,188 |
| Lease liabilities | | **4,093** | 8,632 |
| Current taxation | | **19** | 4,729 |
| **Total current liabilities** | | **133,841** | 51,515 |
| **Net current (liabilities)/assets** | | **(16,072)** | 60,687 |
| **Total assets less current liabilities** | | **528** | 77,929 |
| **Non-current liability** | | | |
| Lease liabilities | | **809** | 5,727 |
| **Total non-current liability** | | **809** | 5,727 |
| **Net (liabilities)/assets** | | **(281)** | 72,202 |
| **Capital and reserves** | | | |
| Share capital | *8* | **–*** | 20,010 |
| Reserves | | **(281)** | 52,192 |
| **Total (deficit)/equity** | | **(281)** | 72,202 |

## NOTES

*(Expressed in Renminbi unless otherwise indicated)*

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### (b) Reorganisation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**").

The Group's business was conducted through Guangzhou Icon Culture Media Investment Co., Ltd. ("**Icon Media**") and its subsidiary Guangdong Icon Wenchuan Technology Co., Ltd. ("**Icon Wenchuan**") established in the PRC, both of which are controlled by Mr. Chow Eric Tse To (the "**Controlling Shareholder**"). To rationalise the corporate structure in preparation for the listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Group underwent a reorganisation (the "**Reorganisation**"). The Reorganisation only involved inserting certain entities with no substantive operations as holding companies of Icon Media. Upon completion of the Reorganisation in 2019, the Company became the holding company of the Group. As such, Icon Media was controlled by the Controlling Shareholder during the year ended 31 December 2019 and 2018 before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The consolidated financial statements have been prepared and presented as a continuation of the financial information of companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

#### (c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and net assets for the current or prior periods prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

*HKFRS 16, Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives,* and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has early applied HKFRS 16 consistently throughout the years ended 31 December 2019 and 2018. The adoption of HKFRS 16 did not have significant impact on the Group's results and net assets for the current or prior periods prepared or presented.

## 2 REVENUE

The principal activities of the Group are rendering traditional offline media advertising, online media advertising, PR, marketing campaigns and other services.

**Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by major service lines is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Disaggregated by major service lines | | |
| Traditional offline media advertising services | | |
| — acting as a principal | **133,045** | 169,003 |
| Online media advertising services | | |
| — acting as a principal | **8,707** | 12,249 |
| — acting as an agent | **986** | 2,221 |
| PR, marketing campaigns and other services* | | |
| — acting as a principal | **7,361** | 25,468 |
| | **150,099** | 208,941 |

* Revenue from PR, marketing campaigns includes revenue of sales of goods.

The Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective year are set out below:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **N/A*** | 31,467 |
| Customer B | **78,526** | 85,593 |
| Customer C | **26,351** | N/A* |

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

## 3 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The Group's subsidiary in Hong Kong is a qualifying corporation under the two-tiered Profits Tax rate regime, and the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The statutory income tax rate for the PRC subsidiaries is 25% (2018: 25%).

## 4 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The basic (loss)/earnings per share of the Company for the year ended 31 December 2019 is calculated based on the loss for the year of approximately RMB42,289,000 (2018: profit of approximately RMB18,472,000) and the weighted average of 135,000,000 ordinary shares, comprising 1,000 ordinary shares issued at 31 December 2019 and 134,999,000 ordinary shares issued pursuant to the capitalisation issue, as if the above total of 135,000,000 ordinary shares were outstanding throughout the years ended 31 December 2019 and 2018.

### (b) Diluted earnings per share

During the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares issued.

## 5 DIVIDENDS

The board has resolved not to declare any dividends for the year ended 31 December 2019.

The Group declared and paid a dividend of RMB30,000,000 in August 2019.

## 6 TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current** | | |
| Trade debtors | **42,872** | 60,817 |
| Less: Credit loss allowance | **(522)** | (603) |
| Subtotal | **42,350** | 60,214 |
| Deposit and prepayments for media costs | **22,934** | 3,119 |
| Rental and services deposits | **2,668** | 3,660 |
| Deferred listing expenses | **10,286** | 47 |
| Prepayments for income tax | **3,255** | – |
| Others | **1,582** | 37 |
| Less: loss allowance of other receivables | **(1,500)** | – |
| Subtotal | **39,225** | 6,863 |
| | **81,575** | 67,077 |

As at 31 December 2019, the ageing analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | **34,573** | 29,047 |
| 1 to 3 months | **6,000** | 23,559 |
| Over 3 months | **1,813** | 7,608 |
| | **42,350** | 60,214 |

## 7 TRADE AND OTHER PAYABLES

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | **98,168** | 22,725 |
| Other tax payables | **1,616** | 4,276 |
| Payroll payables | **1,016** | 1,093 |
| Provision for litigation compensation | **1,778** | 1,709 |
| Others | **18,370** | 4,163 |
| | **120,948** | 33,966 |

The provision for litigation is payable to the counterparty after final count decision, which might be made after more than one year. All of trade and other payables apart from provision for litigation are expected to be settled within one year or are repayable on demand.

The credit period granted by the suppliers is between 10 and 120 days.

As of the end of each of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | 2019 | 2018 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Within 1 month | **10,554** | 17,073 |
| 1 to 3 months | **38,687** | 4,278 |
| Over 3 months | **48,927** | 1,374 |
| | **98,168** | 22,725 |

## 8 SHARE CAPITAL

### (i) Authorised share capital of the Company

| | Number of shares | Nominal value of shares |
|---|---|---|
| | | *HK$* |
| Ordinary shares of HK$0.01 each | | |
| As at 24 April 2019 (dated of incorporation) | 38,000,000 | 380,000 |
| Addition | 1,962,000,000 | 19,620,000 |
| As at 31 December 2019 | 2,000,000,000 | 20,000,000 |

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 24 April 2019 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

Pursuant to the resolutions in writing of the shareholders passed on 11 December 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of 1,962,000,000 new shares with a par value of HK$0.01 each to rank pari passu with the then existing shares in all respects.

### (ii) Issued and fully paid share capital of the Company

| | Number of shares | Nominal value of shares |
|---|---|---|
| | | *HK$* |
| At 31 December 2019 (Ordinary shares of HK$0.01 each) | 1,000 | 10 |

## MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Except for the following adjustments, the overall 2019 Audited Annual Results remain substantially the same as the 2019 Unaudited Annual Results:

### Accrual of costs relating to a supplier contract

During the Year, the Group has entered into contracts amounting to RMB65.0 million (inclusive of value-added taxes) with an independent customer (the "**Customer**"), pursuant to which the Group was engaged to enhance the effectiveness of advertisements in various resources covering TV advertising, online advertising and OOH advertising for several of its ultimate customers (the "**Customer Contracts**"). For details, please refer to the section headed "NEW BUSINESS COOPERATION IN 2019 AND STRENGTHENING CORPORATE GOVERNANCE MEASURES" of the annual report of the Company for the Year (the "**2019 Annual Report**"). As at 31 December 2019, there was uncertainty with respect to the Group's performance obligation and ability to collect the consideration under the contract with the customer, and the Group has not satisfied the performance obligation. As such, the corresponding revenue of RMB61.3 million was not recognised in 2019. Meanwhile, the Group has incurred cost of RMB42.0 million (inclusive of value added taxes) relating to the advertisements resources which were acquired for the advertisement placement in 2019 for the Customer Contracts. The Group has recognised such costs of RMB39.6 million as "Cost of sales" within profit or loss for the Year.

Based on the foregoing, various adjustments have been made to the 2019 Unaudited Annual Results. The following set forth the audited consolidated statement of financial position of the Group as at 31 December 2019, the audited consolidated statement of profit or loss and the audited consolidated statement of profit or loss and other comprehensive income of the Group for the Year, the relevant corresponding figures shown in the 2019 Unaudited Annual Results and the relevant changes between the audited and the unaudited figures:

**(1) Changes on consolidated statement of profit or loss**

| **For the year ended 31 December** | **2019**<br>*RMB'000*<br>(Audited) | **2019**<br>*RMB'000*<br>(Unaudited) | **Difference** |
|---|---|---|---|
| **Revenue** | 150,099 | 150,900 | – |
| Cost of sales | (171,676) | (132,053) | (39,623) |
| **Gross profit** | (21,577) | 18,046 | (39,623) |
| Other revenue | 1,229 | 1,229 | – |
| Other net income | 143 | 143 | – |
| Selling expenses | (2,746) | (2,746) | – |
| Administrative expenses | (27,991) | (27,991) | – |
| **(Loss) from operations** | (50,942) | (11,319) | (39,623) |
| Finance costs | (613) | (613) | – |
| **(Loss) before taxation** | (51,555) | (11,932) | (39,623) |
| Income tax | 9,266 | (641) | 9,907 |
| **(Loss) for the year attributable to equity shareholders of the Company** | (42,289) | (12,573) | (29,716) |
| **(Loss) per share** *(RMB)* | | | |
| Basic | (0.31) | (0.09) | (0.22) |
| Diluted | (0.31) | (0.09) | (0.22) |

**(2) Changes on consolidated statement of profit or loss and other comprehensive income**

| For the year ended 31 December | 2019<br>*RMB'000*<br>(Audited) | 2019<br>*RMB'000*<br>(Unaudited) | Difference |
|---|---|---|---|
| **(Loss) for the year** | (42,289) | (12,573) | (29,716) |
| **Other comprehensive income for the year** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency | (194) | (194) | – |
| Other comprehensive income for the year | (194) | (194) | – |
| Total comprehensive income for the year attributable to equity shareholder of the Company | (42,483) | (12,767) | (29,716) |

**(3) Changes on consolidated statement of financial position**

| **As at 31 December** | **2019**<br>*RMB'000*<br>(Audited) | **2019**<br>*RMB'000*<br>(Unaudited) | **Change** |
|---|---|---|---|
| Property, plant and equipment | 1,335 | 1,335 | – |
| Right-of-use assets | 5,059 | 5,059 | – |
| Deferred tax assets | 10,206 | 1,020 | 9,186 |
| **Total non-current assets** | 16,600 | 7,414 | 9,186 |
| Financial assets | – | – | – |
| Trade and other receivables | 81,575 | 80,854 | 721 |
| Restricted deposits with a bank | 7,342 | 7,342 | – |
| Cash and cash equivalents | 28,852 | 28,852 | – |
| **Total current assets** | 117,769 | 117,048 | 721 |
| Trade and other payables | 120,948 | 81,326 | 39,622 |
| Contract liabilities | 8,781 | 8,781 | – |
| Lease liabilities | 4,093 | 4,093 | – |
| Current taxation | 19 | 19 | – |
| **Total current liabilities** | 133,841 | 94,219 | 39,622 |
| **Net current (liabilities)/assets** | (16,072) | 22,829 | (38,901) |
| **Total assets less current liabilities** | 528 | 30,243 | (29,715) |
| Lease liabilities | 809 | 809 | – |
| **Total non-current liability** | 809 | 809 | – |
| **Net (liabilities)/assets** | (281) | 29,434 | (29,715) |

The Group did not recognized the cost of sales to the customer contracts until the completion of the auditing process for the annual results ended 31 December 2019. Relevant adjustments have been reflected in the 2019 consolidated financial statements, where were audited by the Auditors and included in the 2019 Annual Report. The relevant financial impact has also been reflected in the Company's 2020 First Quarterly Report based on the Group's assessment. The revenue of RMB61.3 million from the Customer Contracts has been recognised in the unaudited quarterly results for the three months ended 31 March 2020 which has not been audited nor reviewed by the Auditors and the relevant impact on the Group's performance for the financial year ending 31 December 2020 is therefore subject to changes.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## THE AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT

The Audit Committee has reviewed the audited annual results of the Company for the Year. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income for the Year, consolidated statement of financial position and the related notes thereto as at 31 December 2019 as set out in this announcement have been agreed by KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by KPMG on this announcement.

## PUBLICATION OF THE ANNUAL REPORT

The 2019 Annual Report containing all the information required to the GEM Listing Rules is to be despatched to the Shareholders and made available on the Company's website at www.iconspace.com and the Stock Exchange at www.hkex.com.hk on 15 May 2020.

The announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

By Order of the Board
**Icon Culture Global Company Limited**
**Chow Eric Tse To**
*Chairman and Executive Director*

Hong Kong, 15 May 2020

*As at the date of this announcement, the executive Directors are Mr. Chow Eric Tse To (Chairman), Ms. Cai Xiaoshan, Mr. Lau Tung Hei Derek, Ms. Liang Wei (Chief Executive Officer and Compliance Officer) and Mr. Liu Biao; and the INEDs are Mr. Lee Siu Hang Foster, Ms. Tam Hon Shan Celia and Mr. Tian Tao.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published and will remain on the website of the Company at www.iconspace.com.*