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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 2021

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 2021 together with the comparative figures for the corresponding year of 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	NOTES	2021 HK\$'000	2020 HK\$'000 (Restated)
Continuing operations			
Revenue	3	206,605	153,288
Cost of sales		(167,819)	(129,767)
Gross profit		38,786	23,521
Other income	4	1,763	2,517
Other gains or losses	5	1,054	(4,218)
Impairment loss under expected credit loss (“ECL”) model, net of reversal		(1,268)	(3,629)
Other impairment losses	7	(18,693)	(20,733)
Selling expenses		(30,734)	(11,699)
Administrative expenses		(43,138)	(40,533)
Other expenses	9	(16,334)	(4,284)
Finance costs	6	(2,455)	(1,404)
Share of loss of an associate		(23)	(172)
Loss before tax	9	(71,042)	(60,634)
Income tax credit	10	1,121	155
Loss for the year from continuing operations		(69,921)	(60,479)

	NOTES	2021 HK\$'000	2020 HK\$'000 (Restated)
Discontinued operations			
Loss for the year from discontinued operations	20	(374)	(3,258)
Loss for the year		<u>(70,295)</u>	<u>(63,737)</u>
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		<u>14,865</u>	<u>—</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(7,648)	(6,666)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		<u>125</u>	<u>—</u>
		<u>(7,523)</u>	<u>(6,666)</u>
Other comprehensive income (expense) for the year		<u>7,342</u>	<u>(6,666)</u>
Total comprehensive expense for the year		<u><u>(62,953)</u></u>	<u><u>(70,403)</u></u>
Loss for the year attributable to owners of the Company:			
— from continuing operations		(56,889)	(55,121)
— from discontinued operations		<u>(302)</u>	<u>(3,114)</u>
		<u>(57,191)</u>	<u>(58,235)</u>
Loss for the year attributable to non-controlling interests:			
— from continuing operations		(13,032)	(5,358)
— from discontinued operations		<u>(72)</u>	<u>(144)</u>
		<u>(13,104)</u>	<u>(5,502)</u>
		<u><u>(70,295)</u></u>	<u><u>(63,737)</u></u>
Total comprehensive expense attributable to:			
Owners of the Company		(51,706)	(63,739)
Non-controlling interests		<u>(11,247)</u>	<u>(6,664)</u>
		<u><u>(62,953)</u></u>	<u><u>(70,403)</u></u>
Total comprehensive expense attributable to owners of the Company:			
— from continuing operations		(51,537)	(60,943)
— from discontinued operations		<u>(169)</u>	<u>(2,796)</u>
		<u><u>(51,706)</u></u>	<u><u>(63,739)</u></u>
Loss per share	12		
From continuing and discontinued operations			
Basic (HK cents)		<u>(4.1)</u>	<u>(4.2)</u>
From continuing operations			
Basic (HK cents)		<u><u>(4.1)</u></u>	<u><u>(4.0)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property and equipment		473	993
Right-of-use assets		2,260	1,825
Goodwill	13	1,396	12,126
Interest in an associate		1,195	1,218
Intangible assets	14	5,366	7,454
Rental deposits	16	1,333	108
Financial assets at fair value through profit or loss ("FVTPL")		1,802	715
		13,825	24,439
Current assets			
Inventories		35,630	35,644
Trade receivables	15	62,841	23,128
Other receivables, deposits and prepayments	16	15,849	24,813
Financial assets at FVTPL		1,220	—
Tax recoverable		—	1,262
Pledged bank deposits	19	35,935	23,261
Restricted bank deposit	17	5,324	—
Bank balances and cash		75,094	154,000
		231,893	262,108
Current liabilities			
Trade payables	18	14,519	6,236
Other payables and accrued charges	18	16,051	29,911
Contract liabilities		1,057	1,384
Lease liabilities		4,394	1,994
Bank borrowings	19	35,495	8,749
		71,516	48,274
Net current assets		160,377	213,834
Total assets less current liabilities		174,202	238,273
Non-current liabilities			
Deferred tax liabilities		663	1,742
Lease liabilities		965	812
		1,628	2,554
Net assets		172,574	235,719
Capital and reserves			
Share capital		13,907	13,907
Share premium and reserves		151,383	206,962
Equity attributable to owners of the Company		165,290	220,869
Non-controlling interests		7,284	14,850
Total equity		172,574	235,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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.

In prior years, the Group had its online and social business carried out by Polluquin Holdings Limited and its subsidiaries (collectively referred to as the “Polluquin Group”), a non-wholly owned subsidiary of the Group. The operation for online and social business was disposed on 17 September 2020. Accordingly, the results of the Polluquin Group’s operation for the period ended 16 September 2020 and year ended 31 March 2020 have been separately presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income.

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

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.

* *English name is for identification purpose only*

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

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

(i) Disaggregation of revenue from contracts with customers

	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 recognised:				
At a point in 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	8,207	197,890	4	206,101
Agent	—	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 People's Republic of China (the "PRC")	—	198,394	—	198,394
Total	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>

	Year ended 31 March 2020			
	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> (Restated)
Time of revenue recognised:				
At a point in time				
— Comic books sales	4,449	—	—	4,449
— Royalty income from IPs licensing	3,884	—	—	3,884
— New media advertising revenue	—	121,762	—	121,762
— IPs digitalisation for production	—	9,358	—	9,358
— Sales of wine	—	—	134	134
Over time				
— Social media marketing	—	13,701	—	13,701
Total	<u>8,333</u>	<u>144,821</u>	<u>134</u>	<u>153,288</u>
Principal	8,333	144,377	134	152,844
Agent	—	444	—	444
Total	<u>8,333</u>	<u>144,821</u>	<u>134</u>	<u>153,288</u>
Geographical markets:				
Hong Kong (place of domicile)	8,333	—	134	8,467
The PRC	—	144,821	—	144,821
Total	<u>8,333</u>	<u>144,821</u>	<u>134</u>	<u>153,288</u>

(ii) Performance obligations for contracts with customers

Publishing and IPs licensing

The revenue from publishing and IPs licensing includes comic book sales to the wholesale market and IPs licensing.

For comic book sales, revenue is recognised at a point in time when control of the goods has transferred according to respective agreed terms of delivery, i.e. the goods have been delivered to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods and has the right to return unsold goods within 60 days under the Group's standard contract terms. The normal credit term is 60 days upon delivery.

For licensing business, the Group grants its IPs to customers. Without any promise to deliver other goods or services, the customer can benefit from the license that are readily available and the license is considered as a distinct performance obligation.

The performance obligation provides the customers with a right to use the Group's IPs as they exist at the point in time at which the license is granted. Given there is no explicit or implied obligation for the Group to undertake activities during the license period to change the form or functionality of the IPs, or support or maintain the value of the IPs, revenue is recognised at a point in time.

The Group generally collects 1) the full amount of contracted royalty income before or when the IPs are provided to customers; or 2) sales-based royalty income that are attributable to a license of the IPs when the subsequent sales occurs. For sales-based royalty, customers agree the sales volume with the Group each month and settle the royalty with a credit term of 60 days.

Digital marketing

As a principal

Revenue from digital marketing is primarily derived from the marketing services provided to the customer through internet channel including social media and internet website. The marketing services include 1) design and coordination of new media advertising; 2) IP digitalisation for production and 3) social media marketing with content development.

For new media advertising, since the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised at a point in time when the control of services or goods is transferred to the customer, being when the services are rendered and control of goods are transferred to the customers. Certain contracts with customers contain multiple distinct performance obligations to be performed by the Group. The Group uses its best estimate of selling prices by expected cost plus a margin approach of these service obligations as the basis for the allocation of the transaction price.

For social media marketing, revenue is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, i.e. the broadcast of the advertisement.

The Group normally grants credit period of 30 to 120 days to customers and requires certain customers to provide upfront deposits. When the Group receives a deposit before production commences, this will give rise to contract liabilities which represent the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Conversely, contract asset is recognised over the period in which the social media marketing services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional, i.e. upon completion of all performance obligations within a contract.

As an agent

For certain new media advertising revenue stream, the Group mainly assists customers, i.e. advertising companies, in sourcing digital marketing products on online platforms, such as mobile applications or social media platforms, in the capacity of an agent rather than as the principal in a transaction, revenue recognised is the net amount of commission made by the Group on a monthly basis. The credit terms granted by the vendors may or may not be consistent with the credit period of 30 to 60 days granted by the Group to the customers.

Retailing and wholesales

Revenue from retailing and wholesales is primarily derived from sales of wine. Revenue is recognised at a point in time when the goods are delivered and titles have passed. The normal credit term is 60 days upon delivery.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All goods or services provided by the Group are for contracts with original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OTHER INCOME

Continuing operations

For the year ended 31 March 2021, other income mainly included bank interest income of HK\$309,000 (2020: HK\$2,411,000 (Restated)) and government grants of HK\$1,311,000 (2020: Nil) in respect of Covid-19-related subsidies under Employment Support Scheme provided by the Hong Kong government.

5. OTHER GAINS OR LOSSES

Continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain (loss) on fair value change of financial assets at FVTPL	43	(4,393)
Loss on disposal of property and equipment	(13)	—
Gain on early termination of leases	907	—
Net foreign exchange gain (loss)	117	(684)
Gain on deregistration of a subsidiary (<i>Note 20</i>)	—	792
Gain on disposal of subsidiaries (<i>Note 20</i>)	—	67
	<u>1,054</u>	<u>(4,218)</u>

6. FINANCE COSTS

Continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on bank borrowings	1,234	453
Interests on lease liabilities	313	190
Interests on advances from independent third parties	908	761
	<u>2,455</u>	<u>1,404</u>

7. OTHER IMPAIRMENT LOSSES

Continuing operations

	2021 HK\$'000	2020 HK\$'000
Impairment loss recognised in respect of		
— goodwill (<i>Note 13</i>)	(11,401)	(8,941)
— intangible assets (<i>Note 14</i>)	(3,757)	—
— prepayments (<i>Note</i>)	—	(10,574)
— property and equipment	(309)	(167)
— right-of-use assets	(3,226)	(1,051)
	<u>(18,693)</u>	<u>(20,733)</u>

Note: During the year ended 31 March 2020, a full impairment loss of HK\$10,574,000 was made in respect of prepayments to suppliers in digital marketing business (the “Suppliers”) due to civil complaints by the Group against the Suppliers for their suspected misconduct behaviour.

8. SEGMENT INFORMATION

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

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

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

For the year ended 31 March 2021, Polluquin Group was disposed and its operation in online and social business is presented as a discontinued operation. Prior year segment disclosures have been represented. Details of the discontinued operation is further set out in Note 20.

For the year ended 31 March 2020, Sai Van Club was disposed and its operation in catering services is presented as a discontinued operation. Details of the discontinued operation is further set out in Note 20.

Polluquin Group and Sai Van Club were previously reported as reportable segments.

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 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	<u>8,207</u>	<u>198,394</u>	<u>4</u>	<u>206,605</u>
Segment results	<u>(1,398)</u>	<u>(37,622)</u>	<u>(427)</u>	(39,447)
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)				<u>(801)</u>
Loss before tax from continuing operations				<u>(71,042)</u>

For the year ended 31 March 2020 (Restated)

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>8,333</u>	<u>144,821</u>	<u>134</u>	<u>153,288</u>
Segment results	<u>(3,344)</u>	<u>(24,603)</u>	<u>(418)</u>	(28,365)
Unallocated expenses				(19,178)
Unallocated income				1,233
Other gains and losses				(5,383)
Impairment loss on goodwill				<u>(8,941)</u>
Loss before tax from continuing operations				<u>(60,634)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 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 the CODM						
Addition to non-current assets (<i>Note</i>)	<u>1,785</u>	<u>7,384</u>	<u>—</u>	<u>9,169</u>	<u>3,433</u>	<u>12,602</u>

For the year ended 31 March 2020 (Restated)

Continuing operations

	Publishing and IPs licensing HK\$'000	Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:						
Amortisation of intangible assets	—	557	—	557	—	557
Bank interest income	(62)	(658)	—	(720)	(1,691)	(2,411)
Depreciation of property and equipment	162	203	—	365	104	469
Depreciation of right-of-use assets	781	1,862	—	2,643	2,331	4,974
Impairment loss under ECL model	2,731	898	—	3,629	—	3,629
Impairment loss on property and equipment	116	51	—	167	—	167
Impairment loss on right-of-use assets	89	962	—	1,051	—	1,051
Impairment loss on goodwill	—	—	—	—	8,941	8,941
Amounts regularly provided to the CODM						
Addition to non-current assets (Note)	<u>194</u>	<u>6,810</u>	<u>—</u>	<u>7,004</u>	<u>55</u>	<u>7,059</u>

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

Geographic information

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

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

	Revenue from external customers from continuing operations		Non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Hong Kong (place of domicile)	8,211	8,467	4,023	2,340
The PRC	198,394	144,821	6,667	21,276
	<u>206,605</u>	<u>153,288</u>	<u>10,690</u>	<u>23,616</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:

	2021 HK\$'000	2020 HK\$'000
Customer A ¹	111,284	64,789

¹ Revenue from digital marketing segment.

Revenue from major products and services

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

	2021 HK\$'000	2020 HK\$'000 (Restated)
Comic books	4,433	4,449
Premium wine	4	134
Royalty income	3,774	3,884
Digital marketing	198,394	144,821
	206,605	153,288

9. LOSS BEFORE TAX

Continuing operations

	2021 HK\$'000	2020 HK\$'000 (Restated)
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	5,432	5,531
Other staff costs:		
— Retirement benefit scheme contributions	1,391	662
— Salaries and other benefits	47,633	20,268
	<u>54,456</u>	<u>26,461</u>
Auditor's remuneration		
— Audit services	1,950	2,380
— Non-audit services	550	550
Cost of inventories recognised as expenses	2,519	2,891
Costs to fulfil the contracts with customers	165,300	126,876
Depreciation of property and equipment	511	469
Depreciation of right-of-use assets	6,000	4,974
Amortisation of intangible assets (included in cost of sales and administrative expenses)	2,108	557
Legal, consultancy and other professional fees (included in other expenses) (Note)	6,881	1,287
Research cost (included in other expenses)	<u>9,453</u>	<u>2,997</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% (2020: 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 years.

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.

	2021 HK\$'000	2020 HK\$'000
Deferred tax		
— Deferred tax credit	<u>1,121</u>	<u>155</u>
Income tax credit	<u><u>1,121</u></u>	<u><u>155</u></u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2021, nor has any dividend been proposed since the end of reporting period (2020: 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:

	2021 HK\$'000	2020 HK\$'000 (Restated)
Loss for the year attributable to owners of the Company for the purposes of calculating basic loss per share	(57,191)	(58,235)
Less:		
Loss for the year from discontinued operations	<u>(302)</u>	<u>(3,114)</u>
Loss for the purpose of calculating basic loss per share from continuing operations	<u><u>(56,889)</u></u>	<u><u>(55,121)</u></u>
	2021 '000	2020 '000
Number of shares for the purposes of basic loss per share	<u><u>1,390,657</u></u>	<u><u>1,390,657</u></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(57,191)</u>	<u>(58,235)</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 (2020: HK0.2 cent per share), based on the loss for the year from the discontinued operations of HK\$302,000 (2020: HK\$3,114,000) 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

	<i>HK\$'000</i>
At 1 April 2019	19,949
Arising from acquisition of a subsidiary	2,412
Exchange realignment	<u>(1,294)</u>
At 31 March 2020	21,067
Exchange realignment	<u>1,730</u>
At 31 March 2021	<u>22,797</u>
IMPAIRMENT	
At 1 April 2019	—
Impairment loss recognised during the year	<u>8,941</u>
At 31 March 2020	8,941
Impairment loss recognised during the year	11,401
Exchange realignment	<u>1,059</u>
At 31 March 2021	<u>21,401</u>
CARRYING VALUES	
At 31 March 2021	<u>1,396</u>
At 31 March 2020	<u>12,126</u>

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.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Eqmen	—	9,733
Hyperchannel Info	<u>1,396</u>	<u>2,393</u>
	<u><u>1,396</u></u>	<u><u>12,126</u></u>

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.

During the year 31 March 2020, there was decline in financial performance of Eqmen for the year and expected continuous decline in the forecast period partly due to the negative effects by the novel coronavirus. The Directors had consequently determined impairment of goodwill amounted to HK\$8,941,000. No impairment on other assets of Eqmen was considered necessary.

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 (2020: Nil). 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.

* *English name is for identification purpose only*

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 2019	1,385	2,802	2,270	6,457
Acquired on acquisition of a subsidiary	—	2,144	—	2,144
Exchange realignment	—	(138)	(193)	(331)
At 31 March 2020	1,385	4,808	2,077	8,270
Additions	—	—	3,073	3,073
Exchange realignment	—	459	517	976
At 31 March 2021	1,385	5,267	5,667	12,319
AMORTISATION AND IMPAIRMENT				
At 1 April 2019	—	166	129	295
Charge for the year	—	428	129	557
Exchange realignment	—	(17)	(19)	(36)
At 31 March 2020	—	577	239	816
Charge for the year	—	725	1,383	2,108
Impairment loss recognised in profit or loss <i>(Note c)</i>	—	3,757	—	3,757
Exchange realignment	—	208	64	272
At 31 March 2021	—	5,267	1,686	6,953
CARRYING VALUES				
At 31 March 2021	1,385	—	3,981	5,366
At 31 March 2020	1,385	4,231	1,838	7,454

Notes:

- (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.

- (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.
- (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 generated from these two customers were significantly lower than the expected sales 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 (2020: Nil) related to customer contracts and related customer relationships for the year ended 31 March 2021.

15. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	66,924	26,986
Less: allowance for credit losses	<u>(4,083)</u>	<u>(3,858)</u>
	<u>62,841</u>	<u>23,128</u>

As at 1 April 2019, trade receivables from contracts with customers amounted to HK\$9,969,000.

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

	2021 HK\$'000	2020 HK\$'000
0 — 60 days	57,691	13,958
61 — 90 days	666	5,526
91 — 180 days	4,025	3,542
Over 180 days	<u>459</u>	<u>102</u>
	<u>62,841</u>	<u>23,128</u>

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate gross amount of HK\$3,464,000 (2020: HK\$3,395,000) which are past due and also past due over 90 days as at the reporting date, of which HK\$3,245,000 (2020: HK\$3,293,000) are considered credit impaired. Included in the past due balances, allowance of credit losses of HK\$3,245,000 (2020: HK\$3,293,000) has been provided as of 31 March 2021.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Other receivables	8,700	11,457
Less: allowance of credit loss	(642)	(395)
	<u>8,058</u>	<u>11,062</u>
Deposits and prepayments (<i>Note</i>)	<u>9,124</u>	<u>13,859</u>
Total other receivables, deposits and prepayments	17,182	24,921
Less: Amounts that will be settled or utilised within one year	(15,849)	(24,813)
	<u>1,333</u>	<u>108</u>
Amounts that will be utilised for more than one year	<u>1,333</u>	<u>108</u>

Note: As at 31 March 2021, the amount mainly comprised of prepayments of approximately HK\$5,614,000 (2020: HK\$7,911,000) 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 (approximately HK\$5,324,000). The customer has also requested the Court to restrict Hyperchannel Info's bank balance amounted to RMB4,500,000 (approximately HK\$5,324,000). In accordance with the order of seal up, distraint and freeze properties issued by the Court, the restricted bank deposit will expire on 12 August 2021 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 (approximately HK\$5,324,000) 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.

	2021 HK\$'000	2020 HK\$'000
0 — 60 days	13,487	5,944
61 — 90 days	225	216
Over 90 days	807	76
	<u>14,519</u>	<u>6,236</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, accrued salaries and advances from independent third parties. As at 31 March 2020, advances from independent third parties of HK\$14,546,000 carried fixed interest rate at 1% per month and were unsecured and repayable within 1 year. The advances are fully repaid during the current year.

19. BANK BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Carrying amount of bank borrowings that is:		
— repayable on demand and repayable within one year	11,831	4,374
— repayable on demand due to breach of loan covenants	23,664	4,375
	<u>35,495</u>	<u>8,749</u>

As at 31 March 2021, bank borrowings carry fixed interest rate which is determined at loan prime rate plus 0.5175% (2020: 0.5175%) per annum upon drawdown of the bank borrowings and are 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% (2020: 4.57%).

As at 31 March 2021, in respect of bank borrowings with carrying amount of HK\$23,664,000 (2020: HK\$4,375,000) secured by the pledged bank deposits, two subsidiaries (2020: one subsidiary) of the Group breached the corresponding bank covenants, which are primarily related to maintain the tangible net 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 borrowings of HK\$4,375,000 which breached the loan covenant as at 31 March 2020 is fully repaid during the current year. As at 31 March 2021, the negotiation in respect of the breach of loan covenants of bank borrowings of HK\$23,664,000 had not been concluded.

20. DISPOSAL OF SUBSIDIARIES

Continuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on deregistration of a subsidiary	—	792
Gain on disposal of subsidiaries	—	67
	<u>—</u>	<u>859</u>

Discontinuing operations

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Loss for the year	(168)	(3,055)
Loss on disposal	<u>(206)</u>	<u>(203)</u>
	<u>(374)</u>	<u>(3,258)</u>

2021

Discontinued operation

Disposal of Polluquin Group

During the year ended 31 March 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Polluquin Group that carried out all of the Group's online and social business for a total cash consideration of HK\$154,000. The purpose of the disposal is to streamline its operations. The disposal was completed on 17 September 2020, on which date the Group lost control of Polluquin Group. The Group's online and social business operation is treated as discontinued operation.

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

17 September
2020
HK\$'000

Analysis of assets and liabilities over which control was lost:

Other receivables	1,021
Bank balances and cash	271
Trade payables, other payables and accrued charges	(865)

Net assets disposed of 427

Loss on disposal of subsidiaries:

Consideration	154
Net assets disposed of	(427)
Non-controlling interests	192
Reclassification of cumulative translation reserve upon disposal to profit or loss	(125)

Loss on disposal (206)

Net cash outflow arising on disposal:

Cash consideration received	154
Less: bank balances and cash disposed of	(271)
	<u>(117)</u>

The loss 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 re-present the online and social business as a discontinued operation.

	Period ended 17 September 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Loss for the period/year	(168)	(657)
Loss on disposal of Polluquin Group	<u>(206)</u>	<u>—</u>
	<u>(374)</u>	<u>(657)</u>

The results of the operation for the period from 1 April 2020 to 17 September 2020, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 17 September 2020 HK\$'000	Year ended 31 March 2020 HK\$'000
Revenue	63	811
Other income	1	3
Selling expenses	—	(191)
Administrative expenses	(232)	(1,280)
	<u>(168)</u>	<u>(1,280)</u>
Loss for the period/year from discontinued operation	<u>(168)</u>	<u>(657)</u>

Loss for the period/year from discontinued operation includes the following:

Auditor's remuneration	—	—
Other staff costs:		
— Salaries and other benefits	—	129
	<u>—</u>	<u>129</u>

During the year ended 31 March 2021, Polluquin Group contributed HK\$123,000 (2020: HK\$1,120,000) to the Group's net operating cash flows.

2020

Continuing operations

Disposal of 文傳創意傳媒(深圳)有限公司, 文傳前海科技發展(深圳)有限公司 and 文傳手游網絡發展(深圳)有限公司 (the "Subsidiaries")

During the year ended 31 March 2020, the Group disposed its entire equity interests in the Subsidiaries to an independent third party with an aggregate of consideration of RMB221,000 (equivalent to approximately of HK\$243,000) and recognised a gain on disposal of HK\$67,000.

Deregistration of 上海旅聯信息服務有限公司

During the year ended 31 March 2020, the Group deregistrated a subsidiary in which the Group indirectly held 29% of the equity interests and recognised a gain on deregistration of HK\$792,000.

Discontinued operation

Disposal of Sai Van Club

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

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

	<i>HK\$'000</i>
Consideration:	
Consideration received in 2020	200
Consideration received in 2021	400
	<u>600</u>
	9 March 2020
	<i>HK\$'000</i>
Analysis of assets and liabilities over which control was lost:	
Other receivables, deposit and prepayments	471
Bank balances and cash	575
Other payables and accrued charges	(243)
	<u>803</u>
Net assets disposed of	<u>803</u>
Loss on disposal of subsidiaries:	
Consideration	600
Net assets disposed of	(803)
	<u>(203)</u>
Loss on disposal	<u>(203)</u>
Net cash outflow arising on disposal:	
Cash consideration received	200
Less: bank balances and cash disposed of	(575)
	<u>(375)</u>

The loss from the discontinued operation was set out below.

	Period ended 9 March 2020 HK\$'000
Loss for the period	(2,398)
Loss on disposal of Sai Van Club	<u>(203)</u>
	<u><u>(2,601)</u></u>

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

	Period ended 9 March 2020 HK\$'000
Revenue	2,439
Cost of sales	(1,850)
Administrative expenses	<u>(2,987)</u>
Loss for the period from discontinued operation	<u><u>(2,398)</u></u>

Loss for the period from discontinued operation includes the following:

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

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

21. EVENTS AFTER THE REPORTING PERIOD

- a) On 1 March 2021, the Company signed a subscription agreement with an independent third party, Trinity Gate Limited, a company incorporated in the British Virgin Islands with limited liability, for the subscription of 278,000,000 shares at HK\$0.15 per share by issuing additional shares. On 30 April 2021, a special general meeting has passed, the Company's issued shares increased to 1,668,656,816 and the Company received approximately HK\$41,700,000 from the subscription. The transaction is completed on 6 May 2021. Details of the above transaction are set out in the Company's announcements dated 1 March 2021, 30 April 2021 and 6 May 2021.
- b) 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 at HK\$0.33. The transaction is not yet completed as at the date of this announcement. Details of the above transaction is set out in the Company's announcement dated 2 June 2021.

DIVIDEND

No dividend was paid or proposed during the year of 2021 and 2020, 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 2021 decreased by HK\$1,044,000 to HK\$57,191,000 or 2.4% to HK4.1 cents per share (31 March 2020: loss of HK\$58,235,000 or HK4.2 cents per share, restated).

The analysis of consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2021 is as follows:

1. Revenue

For the year ended 31 March 2021, the Group's overall revenue from continuing operations increased by approximately 34.8% to HK\$206,605,000 of which approximately HK\$8,207,000, HK\$198,394,000, and HK\$4,000 (31 March 2020: HK\$8,333,000, HK\$144,821,000 and HK\$134,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing and retailing and wholesales respectively.

The Group has recorded a decrease in revenue for the business of publishing and IPs licensing, representing a decrease of approximately 1.5%. This decline was mainly market driven and expected to be temporary.

The revenue from the digital marketing business significantly increased from HK\$144,821,000 to HK\$198,394,000 for the year ended 31 March 2021. It was mainly due to continuous efforts put into building the digital marketing segment as the Group's leading core business.

The turnover of retailing and wholesales segment represents the sales of premium wine.

2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$38,786,000 from continuing operations with gross profit margin of 18.8% for the year ended 31 March 2021 as compared to the same period of 2020, which recorded a gross profit of HK\$23,521,000, restated. Comparing the gross profits for both periods, the improvement was due to the improvement of cost control and market conditions in general in digital marketing segment.

3. Selling expenses

The selling expenses from continuing operations increased from approximately HK\$11,699,000 for the year ended 31 March 2020 to approximately HK\$30,734,000 for the year ended 31 March 2021. The significant increase was mainly due to the Group's expansion in the digital marketing business during the year ended.

4. Administrative expenses

The Group recorded an aggregate administrative expenses from continuing operations of approximately HK\$43,138,000 for the year ended 31 March 2021 (2020: HK\$40,533,000, restated).

The major expenses components for the year ended 31 March 2021 were staff cost of HK\$19,267,000 (2020: HK\$19,242,000, restated), audit fee of HK\$1,950,000 (2020: HK\$2,380,000), depreciation of right-of-use assets of HK\$6,000,000 (2020: HK\$4,974,000), listing and corporate services fee of HK\$1,032,000 (2020: HK\$1,057,000).

The increase in administrative expenses from continuing operations was mainly due to the normal business development in the digital marketing business.

5. Other impairment losses

For the year ended 31 March 2021, the amount of HK\$11,401,000 (2020: HK\$8,941,000 for goodwill arising from Eqmen) for goodwill arising from Eqmen and Hyperchannel Info were impaired as its generated operating loss to the Group for the year ended.

An impairment loss on intangible assets of HK\$3,757,000 (2020: Nil) 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 cost of HK\$9,453,000 (2020: HK\$2,997,000) for developing the platform in digital marketing business and the legal, consultancy and other professional fee of HK\$6,881,000 (2020: HK\$1,287,000) paid to lawyers and consultants providing legal services and professional advices on business operations and development. The increase in other professional fee was mainly due to the legal services in relation to the civil claim on infringement of the copyright works.

7. Loss for the year

The Group recorded a loss from continuing operations of approximately HK\$69,921,000 for the year ended 31 March 2021 (2020: HK\$60,479,000, restated) and a loss from discontinued operations of approximately HK\$374,000 for the year ended 31 March 2021 (2020: HK\$3,258,000, restated).

Also, as at 31 March 2021, the Group has net asset of approximately HK\$172,574,000 (31 March 2020: HK\$235,719,000). Net asset value per share of HK\$0.12 (31 March 2020: HK\$0.17).

DISPOSAL OF SUBSIDIARIES

During the year, the Group entered into an agreement to dispose of the entire equity interest in Polluquin Holdings Limited and its subsidiaries to an independent third party for a total cash consideration of HK\$154,000. The transaction of disposing the business of digital cinema was completed on 17 September 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2021, the Group had bank balances with financial institutions in aggregate of approximately HK\$75,094,000, pledged bank deposits of approximately HK\$35,935,000, restricted bank deposit of HK\$5,324,000 and a total of financial assets at fair value through profit or loss of approximately HK\$3,022,000.

As of 31 March 2021, the Group had bank borrowings of approximately HK\$35,495,000 and were secured by pledged bank deposits for granting banking facilities to the Group. Save as above, no other assets of the Group has been pledged as of 31 March 2021.

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

As of 31 March 2021, the Group had a net current asset of approximately HK\$160,377,000 (31 March 2020: HK\$213,834,000) and a current ratio of 3.2 (31 March 2020: 5.4). The Group's total liabilities as of 31 March 2021 amounted to approximately HK\$73,144,000 (31 March 2020: HK\$50,828,000) and the gearing ratio of the Group represented approximately 44.3% (31 March 2020: 23.0%) 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.

EVENT AFTER THE REPORTING PERIOD

Subscription of New Shares Under Specific Mandate

On 1 March 2021, the Company entered into the Subscription Agreement with a Subscriber, Trinity Gate Limited, 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 Subscription was approved by the shareholders of the Company at the Special General Meeting on 30 April 2021.

On 6 May 2021, all conditions precedent to the Subscription set forth in the Subscription Agreement have been fulfilled. Accordingly, completion of the Subscription took place on 6 May 2021. Details of the Subscription of New Shares was set out in the announcement of the Company dated 1 March 2021 and the Circular of the Company dated 9 April 2021 respectively.

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 the 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.

The Subscription 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 announcement of the Company dated 2 June 2021.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2021, the Group had a total of 162 employees of which 29 are based in Hong Kong and 133 in the PRC. Total staff costs from continuing operations incurred for the year ended 31 March 2021 amounted to approximately HK\$54,456,000 (31 March 2020: HK\$26,461,000, restated). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 March 2021, the Group did not have any significant capital commitment. (31 March 2020: Nil).

Save as disclosed in note 17, the Group did not have any other significant contingent liabilities as at 31 March 2021.

BUSINESS REVIEW

During the year, the Digital Marketing (“Digital Marketing”) business continues to thrive and achieved significant growth in this second year of full-year operation against the backdrop of a global economy still plagued by the pandemic of Covid-19. Its revenue has increased 37% from HK\$144,821,000 in 2020 to HK\$198,394,000 in 2021.

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. They apply big data analysis in matching IPs to assist customers in marketing products and services, working closely with customers engaged in consumer products distribution or social media platforms, such as Taobao/Tmall, Tik Tok, Xiaohongshu, Kuaishou, etc. During the year of pandemic, the Group put emphasis on strengthening business relationship with customers and improving operation efficiency. During the year, the original plans for business development and increased manpower were scaled back due to the Covid-19 pandemic; as business are picking up again, developing business in Key Opinion Leaders (KOLs) management and production of short videos for our customers or KOLs will ensue, broadening the scope and base of Digital Marketing business.

Another 55% Digital Marketing subsidiary, Eqmen Technology Limited (“Eqmen”), which is principally engaged in the digitalisation and commercialisation of IPs, content creation and digital marketing. The pandemic had a adverse effect on business which depends much on direct contact and interaction with customers. At the same time, customers are also reducing its marketing activities, promotional events or gifts. Revenue dropped significantly from HK\$34,819,000 in 2020 to HK\$14,921,000 in 2021. The collaboration of Eqmen with certain prominent IPs owners, including the Palace Museum* (故宮博物院) and the development and launch of “IP Express” (IP直通車) business in cooperation with the National Copyright Administration of the PRC (國家版權局) were adversely affected or delayed.

The Group had plans for further expansion of the Digital Marketing business and new business development at the end of last fiscal year, these plans had to be held up or scaled back as affected by the pandemic. As business were adversely affected and disrupted, expenses incurred were higher than usual, coupling with growth being hampered, goodwill and intangible assets related to investment in subsidiaries are impaired. Total impairment on goodwill and intangible assets, although non-cash, amounted to HK\$15,158,000. As the Covid-19 pandemic is receding when vaccination program continues to expand rapidly, global economy is also gradually recovering. The Group is focusing 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 rather static. Revenue, mainly from licensing, were HK\$3,774,000 in 2021 and HK\$3,884,000 in 2020. Since the Group modified its business model from collecting our royalties directly from the printing houses instead of from licensees, credit monitoring and overall results improved. The Group continues to put more effort to broaden the scope of licensing business and enticing customers to encompass the use of digital images. This should enhance and improve the marketability of IPs of the Group.

Retail and Wholesales Business

The Group's premium wine inventory has narrow target customer profile, sales and distribution channels have to be focused on or targeted at high-end consumer groups or restaurants. The Group is working to expand sales and distribution channels for its premium wine. While marketing plan has been formulated, implementation has been delayed due to the Covid-19 pandemic.

PROSPECT

The Group has successfully built a strong Digital Marketing business by putting a primary focus on building a strong marketing and technical team of professionals. While the Covid-19 pandemic had caused adverse effect on business and slowed down or delayed new business development, the Digital Marketing business has still been able to achieve significant growth during the year. The total number of employees in the Digital Marketing segment increased from 140 at beginning of the fiscal year to 208 in mid-year but scaled back to 133 at the end of fiscal 2021. The total number of employees of the Group reduced from 177 in 2020 to 162 in 2021. The Group is focusing on building strength and operational efficiency while moving steadily and cautiously in fostering new business development.

The Group has a strong commitment to become a prominent player in the Digital Marketing and IPs Commercialisation markets. The Group will focus on streamlining operating structure while deploying more resources in Digital Marketing. The monitoring of costs and expenses will be strengthened to ensure efficient and effective utilisation of resources. As Covid-19 pandemic is receding, the Group is optimistic that performance will recover and improve with growth being maintained.

The Group has completed the subscription of new shares under specific mandates to an investor in May this year, raising HK\$41,700,000 to strengthen the financial position of the Group and adding working capital to fund new projects and business development.

In May this year, 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 be 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 12 August 2021 to 17 August 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2021 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. 11 August 2021.

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 2021.

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 2021.

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 2021 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 18 August 2020. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

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

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

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2021.

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, 25 June 2021

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*