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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 2023

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 2023 together with the comparative figures for the corresponding year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3	30,600	62,365
Cost of sales		(16,084)	(40,607)
Gross profit		14,516	21,758
Other income	5	1,213	437
Other gains or losses	6	(1,957)	7,282
Impairment loss under expected credit loss (“ECL”) model, net of reversal		643	787
Other impairment losses	8	(2,023)	(2,769)
Selling expenses		(4,891)	(13,051)
Administrative expenses		(31,078)	(33,164)
Other expenses	9	(14,631)	(19,523)
Finance costs	7	(125)	(1,071)
Share of loss of an associate		(170)	(260)
Loss before tax	9	(38,503)	(39,574)
Income tax (expense) credit	10	(152)	369
Loss for the year		(38,655)	(39,205)

	<i>NOTES</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		<u>(8,631)</u>	<u>9,833</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		4,881	(6,408)
Reclassification of cumulative translation reserve upon deregistration of a subsidiary		<u>(2)</u>	<u>—</u>
		<u>4,879</u>	<u>(6,408)</u>
Other comprehensive (expense) income for the year		<u>(3,752)</u>	<u>3,425</u>
Total comprehensive expense for the year		<u><u>(42,407)</u></u>	<u><u>(35,780)</u></u>
Loss for the year attributable to:			
– Owners of the Company		(37,223)	(28,943)
– Non-controlling interests		<u>(1,432)</u>	<u>(10,262)</u>
		<u><u>(38,655)</u></u>	<u><u>(39,205)</u></u>
Total comprehensive expense attributable to:			
– Owners of the Company		(40,596)	(24,025)
– Non-controlling interests		<u>(1,811)</u>	<u>(11,755)</u>
		<u><u>(42,407)</u></u>	<u><u>(35,780)</u></u>
Loss per share			
Basic and diluted (HK cents)	12	<u><u>(2.2)</u></u>	<u><u>(1.8)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 31 MARCH 2023*

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property and equipment		89	163
Right-of-use assets		617	172
Goodwill	<i>13</i>	–	–
Interest in an associate		765	935
Intangible assets	<i>14</i>	6,013	2,057
Rental deposits	<i>16</i>	466	–
Financial assets at fair value through profit or loss		6,301	8,032
Deferred tax asset		31	–
		<hr/> 14,282	<hr/> 11,359
Current assets			
Inventories		34,359	35,630
Trade receivables	<i>15</i>	8,674	18,718
Other receivables, deposits and prepayments	<i>16</i>	41,374	4,902
Financial assets at fair value through profit or loss		2,320	338
Restricted bank deposit	<i>17</i>	–	5,539
Bank balances and cash		61,497	129,527
		<hr/> 148,224	<hr/> 194,654
Current liabilities			
Trade payables	<i>18</i>	1,419	2,362
Other payables and accrued charges	<i>18</i>	10,662	11,676
Contract liabilities		–	185
Lease liabilities		2,190	601
Tax payables		478	283
		<hr/> 14,749	<hr/> 15,107

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net current assets	<u>133,475</u>	<u>179,547</u>
Total assets less current liabilities	<u>147,757</u>	<u>190,906</u>
Non-current liabilities		
Deferred tax liabilities	–	12
Lease liabilities	<u>357</u>	<u>–</u>
	<u>357</u>	<u>12</u>
Net assets	<u><u>147,400</u></u>	<u><u>190,894</u></u>
Capital and reserves		
Share capital	16,687	16,687
Share premium and reserves	<u>121,863</u>	<u>166,153</u>
Equity attributable to owners of the Company	<u>138,550</u>	182,840
Non-controlling interests	<u>8,850</u>	<u>8,054</u>
Total equity	<u><u>147,400</u></u>	<u><u>190,894</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has 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.

3. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31 March 2023				
	Publishing and intellectual properties ("IPs") licensing <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Natural language processing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition:					
At a point of time:					
– Comic books sales	8,336	–	–	–	8,336
– Royalty income from IPs licensing	3,647	–	–	–	3,647
– New media advertising revenue	–	15,328	–	–	15,328
– Sales of wine	–	–	3,289	–	3,289
Total	<u>11,983</u>	<u>15,328</u>	<u>3,289</u>	<u>–</u>	<u>30,600</u>
Geographical markets:					
Hong Kong (place of domicile)	11,983	–	3,289	–	15,272
The People's Republic of China (the "PRC")	–	15,328	–	–	15,328
Total	<u>11,983</u>	<u>15,328</u>	<u>3,289</u>	<u>–</u>	<u>30,600</u>

Year ended 31 March 2022

	Publishing and IPs licensing <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Total <i>HK\$'000</i>
Timing of revenue recognition:				
At a point of time:				
– Comic books sales	8,582	–	–	8,582
– Royalty income from IPs licensing	3,470	–	–	3,470
– New media advertising revenue	–	48,805	–	48,805
Over time				
– Social media marketing	–	1,508	–	1,508
Total	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>
Geographical markets:				
Hong Kong (place of domicile)	12,052	–	–	12,052
The PRC	–	50,313	–	50,313
Total	<u>12,052</u>	<u>50,313</u>	<u>–</u>	<u>62,365</u>

4. SEGMENT INFORMATION

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

During the year ended 31 March 2023, the Group commenced the business in natural language processing through new incorporation of a subsidiary.

Specifically, the Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

- Publishing and IPs licensing: publication of comic books and royalty income from IPs of comics.
- Digital marketing: providing digital marketing and communication, IPs digitalisation and agency of IPs services in the PRC.
- Retailing and wholesales: retailing of wine.
- Natural language processing: AI speech technology with real-time human interaction, including design and implementation in both software and embedded chipset domains.

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 2023

	Publishing and IPs licensing HK\$'000	Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Natural language processing HK\$'000	Consolidated HK\$'000
Revenue					
External sales	<u>11,983</u>	<u>15,328</u>	<u>3,289</u>	<u>–</u>	<u>30,600</u>
Segment results	<u>1,261</u>	<u>(8,654)</u>	<u>(721)</u>	<u>(1,191)</u>	<u>(9,305)</u>
Unallocated expenses					(28,277)
Unallocated income					465
Other gains and losses					<u>(1,386)</u>
Loss before tax					<u>(38,503)</u>

For the year ended 31 March 2022

	Publishing and IPs licensing HK\$'000	Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Consolidated HK\$'000
Revenue				
External sales	12,052	50,313	–	62,365
Segment results	798	(24,959)	(420)	(24,581)
Unallocated expenses				(20,200)
Unallocated income				112
Other gains and losses				6,547
Impairment loss on goodwill				(1,452)
Loss before tax				(39,574)

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, (loss) gain on fair value change of financial assets at fair value through profit or loss ("FVTPL"), impairment losses on goodwill, equity-settled share-based payments 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 2023

	Publishing and IPs licensing HK\$'000	Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Natural language processing HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:							
Amortization of intangible assets	252	379	-	-	631	-	631
Bank interest income	(37)	(137)	(1)	(4)	(179)	(36)	(215)
Depreciation of property and equipment	41	17	-	-	58	59	117
Depreciation of right-of-use assets	525	-	-	-	525	1,560	2,085
Finance costs	39	-	-	-	39	86	125
Gain on deregistration of a subsidiary	-	(42)	-	-	(42)	-	(42)
Impairment loss under ECL model, net of reversal	(681)	14	(1)	42	(626)	(17)	(643)
Impairment loss on right-of-use assets	-	-	-	-	-	1,778	1,778
Impairment loss on intangible assets	-	245	-	-	245	-	245
Share of loss of an associate	170	-	-	-	170	-	170
Amounts regularly provide to CODM							
Addition to non-current assets	<u>34</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>14</u>	<u>61</u>

For the year ended 31 March 2022

	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	–	1,861	–	1,861	–	1,861
Bank interest income	(39)	(138)	–	(177)	(14)	(191)
Depreciation of property and equipment	1	76	–	77	61	138
Depreciation of right-of-use assets	–	1,030	–	1,030	1,057	2,087
Finance costs	35	974	–	1,009	62	1,071
Impairment loss under ECL model, net of reversal	141	(1,017)	2	(874)	87	(787)
Impairment loss on property and equipment	–	8	–	8	–	8
Impairment loss on goodwill	–	–	–	–	1,452	1,452
Impairment loss on intangible asset	–	1,309	–	1,309	–	1,309
Share of loss of an associate	260	–	–	260	–	260
Amounts regularly provide to CODM						
Addition to non-current assets	6	–	–	6	4	10

Geographic information

The Group's 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		Non-current assets	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	15,272	12,052	7,484	2,655
The PRC	15,328	50,313	–	672
	30,600	62,365	7,484	3,327

Note: Non-current assets excluded those relating to deferred tax assets and 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	N/A ⁴	15,580
Customer B ¹	N/A ⁴	7,670
Customer C ¹	6,251	N/A ⁴
Customer D ²	5,590	N/A ⁴
Customer E ³	3,289	N/A ⁴

¹ Revenue from digital marketing segment.

² Revenue from publishing and IPs licensing segment.

³ Revenue from retailing and wholesales segment.

⁴ The corresponding revenue did not contribute over 10% of the Group's total revenue in the respective year.

Revenue from major products and services

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Comic books	8,336	8,582
Premium wine	3,289	—
Royalty income	3,647	3,470
Digital marketing	15,328	50,313
	30,600	62,365

5. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	215	191
Comics course income	–	9
Dividend income from financial assets at FVTPL	28	98
Subsidies (Note)	827	–
Sundry income	104	139
Written off of other payables	39	–
	<u>1,213</u>	<u>437</u>

Note: The subsidies included the amount of approximately HK\$676,000 granted in relation to the Employment Support Scheme under the Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region in respect of COVID-19-related subsidies. All subsidies were one-off and non-recurring in nature.

6. OTHER GAINS OR LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(Loss) gain on fair value change of financial assets at FVTPL		
– held for trading	(381)	64
– others	(996)	6,245
Loss on disposal of property and equipment	(14)	(151)
Gain on deregistration of a subsidiary	42	–
Gain on early termination of leases	–	932
Net foreign exchange (loss) gain	(608)	192
	<u>(1,957)</u>	<u>7,282</u>

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interests on bank borrowings	–	931
Interests on lease liabilities	125	140
	<u>125</u>	<u>1,071</u>

8. OTHER IMPAIRMENT LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment losses recognised in respect of		
– goodwill (<i>Note 13</i>)	–	(1,452)
– intangible assets (<i>Note 14</i>)	(245)	(1,309)
– property and equipment	–	(8)
– right-of-use assets	(1,778)	–
	<u>(2,023)</u>	<u>(2,769)</u>

9. LOSS BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	6,211	3,349
Other staff costs:		
– Retirement benefit scheme contributions	973	1,345
– Salaries and other benefits	17,372	28,789
	<u>24,556</u>	<u>33,483</u>
Auditor's remuneration		
– Audit services	1,580	1,450
– Non-audit services	220	–
Cost of inventories recognised as expenses	7,505	4,302
Costs to fulfil the contracts with customers (including staff costs of approximately HK\$808,000 (2022: HK\$734,000))	8,579	36,305
Depreciation of property and equipment	117	138
Depreciation of right-of-use assets	2,085	2,087
Amortisation of intangible assets	631	1,861
Legal, consultancy and other professional fees (included in other expenses) (<i>Note i</i>)	7,126	9,284
Research cost (included in other expenses)	5,939	10,239
Equity-settled share-based payments (included in other expenses) (<i>Note ii</i>)	1,566	–
Expenses relating to short-term leases	1,050	1,392
Gain on deregistration of a subsidiary	(42)	–
	<u>(42)</u>	<u>–</u>

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

Note ii: It represents share options granted to external consultant in exchange for services rendered to the Group.

10. INCOME TAX EXPENSE (CREDIT)

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% (2022: 16.5%) on the estimated assessable profits for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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.

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	195	282
Deferred tax		
– Deferred tax credit	(43)	(651)
	<hr/>	<hr/>
Income tax expense (credit)	152	(369)
	<hr/> <hr/>	<hr/> <hr/>

11. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of reporting period (2022: HK\$Nil).

12. LOSS PER SHARE

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

	2023 '000	2022 '000
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>1,668,657</u>	<u>1,641,999</u>
	2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(37,223)</u>	<u>(28,943)</u>

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the assumed conversion would result in a decrease in loss per share for the year ended 31 March 2023.

No diluted loss per share has been presented as there were no potential ordinary shares in issue for the year ended 31 March 2022.

13. GOODWILL AND IMPAIRMENT ASSESSMENT

Total
HK\$'000

Cost

At 1 April 2021	22,797
Exchange realignment	918
	<hr/>
At 31 March 2022	23,715
Exchange realignment	(1,689)
	<hr/>
At 31 March 2023	22,026
	<hr/>

ACCUMULATED IMPAIRMENT

At 1 April 2021	21,401
Impairment loss recognised for the year	1,452
Exchange realignment	862
	<hr/>
At 31 March 2022	23,715
Exchange realignment	(1,689)
	<hr/>
At 31 March 2023	22,026
	<hr/>

CARRYING VALUES

At 31 March 2023	—
	<hr/> <hr/>
At 31 March 2022	—
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For the purposes of impairment testing, goodwill has been allocated to two individual CGUs, each comprising a subsidiary, namely Eqmen Technology Limited* (北京易奇門科技有限公司) (“Eqmen”) and Hyperchannel Info Tech., Ltd* (北京匯傳網絡信息科技有限公司) (“Hyperchannel Info”), both subsidiaries are in digital marketing segment. An individual CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

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.

* *English name is for identification purpose only*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Eqmen

The goodwill had been fully impaired as at 31 March 2021.

Hyperchannel Info

The recoverable amount of this CGU has been determined based on value in use calculation. During the year ended 31 March 2022, due to significant decline in revenue and losses suffered, the Directors performed impairment assessment and have consequently determined full impairment on goodwill related to Hyperchannel Info.

Based on the assessment, the management of the Group estimates this CGU would not generate net cash inflow in the future, thus the recoverable amount of this CGU was determined to be HK\$Nil. As a result, an impairment loss of approximately HK\$1,452,000 and approximately HK\$8,000 related to Hyperchannel Info have been recognised on goodwill and property and equipment respectively during the year ended 31 March 2022.

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

14. INTANGIBLE ASSETS

	Club memberships <i>HK\$'000</i> <i>(Note a)</i>	Customer contracts and related customer relationship <i>HK\$'000</i> <i>(Note b)</i>	Software <i>HK\$'000</i> <i>(Note b)</i>	Intellectual property rights <i>HK\$'000</i> <i>(Note c)</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2021	1,385	5,267	5,667	–	12,319
Exchange realignment	–	129	217	–	346
At 31 March 2022	1,385	5,396	5,884	–	12,665
Additions	–	–	–	4,880	4,880
Exchange realignment	–	(402)	(419)	–	(821)
At 31 March 2023	1,385	4,994	5,465	4,880	16,724
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 April 2021	–	5,267	1,686	–	6,953
Charge for the year	–	–	1,861	–	1,861
Impairment loss recognised for the year <i>(Note d)</i>	–	–	1,309	–	1,309
Exchange realignment	–	129	356	–	485
At 31 March 2022	–	5,396	5,212	–	10,608
Charge for the year	–	–	379	252	631
Impairment loss recognised for the year <i>(Note d)</i>	–	–	245	–	245
Exchange realignment	–	(402)	(371)	–	(773)
At 31 March 2023	–	4,994	5,465	252	10,711
CARRYING VALUES					
At 31 March 2023	<u>1,385</u>	<u>–</u>	<u>–</u>	<u>4,628</u>	<u>6,013</u>
At 31 March 2022	<u>1,385</u>	<u>–</u>	<u>672</u>	<u>–</u>	<u>2,057</u>

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

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

Note c: Intellectual property rights represent the acquired intellectual properties in the form of publishing and distribution rights of various fiction writers under the ownership of the Group. The rights are amortised on a straight-line basis over the estimated useful lives based on underlying intangible assets expected to contribute to the future cash flows, i.e., 10 years.

Note d: Due to the decline in revenue and losses in the digital marketing segment, the Directors concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of software. The recoverable amounts of the software have been determined based on value in use calculation. Based on the result of assessment, the recoverable amount of software determine to be HK\$Nil. The Directors have consequently determined an impairment of intangible assets of approximately HK\$245,000 (2022: HK\$1,309,000) related to the software for both years.

15. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	11,224	22,478
Less: allowance for credit losses	(2,550)	(3,760)
	8,674	18,718

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	6,980	15,590
61 – 90 days	381	1,788
91 – 180 days	1,281	1,137
Over 180 days	32	203
	8,674	18,718

As at 31 March 2023, included in the Group's trade receivables balance are debtors with aggregate gross amount of approximately HK\$2,821,000 (2022: HK\$4,232,000) which are past due and also past due over 90 days as at the reporting date, of which approximately HK\$2,275,000 (2022: HK\$3,577,000) are considered credit impaired. Included in the past due balances for 90 days or more, allowance for credit losses of approximately HK\$2,275,000 (2022: HK\$3,577,000) has been provided as of 31 March 2023.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK\$'000	HK\$'000
Other receivables	2,762	462
<i>Less:</i> allowance of credit losses	(44)	(102)
	2,718	360
Deposits and prepayments (<i>Note</i>)	39,130	4,566
<i>Less:</i> allowance for credit losses	(8)	(24)
	39,122	4,542
Total other receivables, deposits and prepayments	41,840	4,902
<i>Less:</i> amounts that will be settled or utilised within one year	(41,374)	(4,902)
Amounts that will be utilised for more than one year	466	–

Note: As at 31 March 2023, the amount mainly comprised of deposit paid for intangible asset of approximately HK\$34,835,000 made to independent third parties under natural language processing business.

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

17. RESTRICTED BANK DEPOSIT/CONTINGENT LIABILITY

A subsidiary of the Group, Hyperchannel Info, is a defendant in a legal action involving the alleged failure of Hyperchannel Info to provide services in accordance with the terms of contract. The customer filed a lawsuit in People’s Court of Nanshan District of Shenzhen (the “Court”) during the year ended 31 March 2021 against Hyperchannel Info to terminate the signed contract and demand repayment amounting to RMB4,500,000 (equivalent to approximately HK\$4,959,000 (31 March 2022: equivalent to approximately HK\$5,539,000)). The customer has also requested the Court to restrict Hyperchannel Info’s bank balance amounted to RMB4,500,000 (equivalent to approximately HK\$4,959,000 (31 March 2022: equivalent to approximately HK\$5,539,000)). In accordance with the order of seal up, distraint and freeze properties issued by the Court, the expiry date of restricted bank deposit extended to 13 July 2022. The second-instance judgment in respect of the litigation had not been made by the People’s Intermediate Court of Shenzhen (the “Intermediate Court”) at the end of last reporting period.

On 14 October 2022, Hyperchannel Info received the second-instance judgment from the Intermediate Court, which rejected the appeal and upheld the original judgment. Based on the verdict issued from the Intermediate Court, Hyperchannel Info was ordered for payment of approximately RMB800,000 of service fee to the customer. The relevant amounts had been fully settled and accounted for in the consolidated financial statements. On 10 November 2022, the restricted bank deposit was released accordingly upon the receipt of verdict by the bank.

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.

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
0 – 60 days	1,031	1,673
61 – 90 days	308	219
Over 90 days	80	470
	1,419	2,362

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.

As at 31 March 2023, other payables and accrued charges included deposit received approximately HK\$313,000 (2022: HK\$313,000), accrued operating expenses approximately HK\$7,354,000 (2022: HK\$7,985,000) and accrued salaries approximately HK\$2,255,000 (2022: HK\$2,734,000).

19. EVENTS AFTER THE REPORTING PERIOD

- a) 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 approximately HK\$63,000,000, which shall be settled by procuring the Company to issue and allot 191,000,000 shares. As additional time is required to fulfil the conditions in the agreement, the transaction is not yet completed as at the date of these condensed consolidated financial statements. Details of the above transaction is set out in the Company’s announcements dated 2 June 2021, 26 August 2021, 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022, 27 June 2022, 29 September 2022, 25 November 2022, 30 January 2023 and 28 April 2023 respectively.
- b) On 13 April 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of entire equity interest of a non-wholly owned subsidiary, Hyperchannel Info, at the consideration of RMB50,000. The Group will derecognize all the assets and liabilities of the subsidiary after the completion of the disposal.
- c) On 12 June 2023, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent has conditionally agreed to procure not less than six placees, on a best effort basis to subscribe for the convertible bond of an aggregate principal amount of up to HK\$100,000,000 at the initial conversion price of HK\$0.5. The interest rate is 8% per annum payable on a semi-annual basis and the maturity date is the date of the second anniversary of the issue date. Details of the placing were disclosed in the announcements of the Company dated 12 June 2023.
- d) On 15 June 2023, the Group set up the liquidation group to liquidate Eqmen and Beijing Star Engine Information Technology Co. Ltd (北京星河引擎信息科技有限公司) in accordance with the applicable laws and regulations in the PRC. The Group will derecognize all the assets and liabilities of both subsidiaries after the completion of the liquidation. Details of the liquidation were disclosed in the announcements of the Company dated 15 June 2023.

Save as disclosed elsewhere in this announcement, there are no material subsequent events took place after 31 March 2023 and up to the date of this announcement.

DIVIDEND

No dividend was paid or proposed during the year of 2023 and 2022, 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 2023 increased by approximately 28.6% to HK\$37,223,000 or HK2.2 cents per share (2022: loss of HK\$28,943,000 or HK1.8 cents per share).

The analysis of consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023 is as follows:

1. Revenue

For the year ended 31 March 2023, the Group's overall revenue from operations significantly decreased by approximately 50.9% from HK\$62,365,000 to HK\$30,600,000 of which approximately HK\$11,983,000, HK\$15,328,000, and HK\$3,289,000 (2022: HK\$12,052,000, HK\$50,313,000 and HK\$nil) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing, and retailing and wholesales respectively.

The revenue from the digital marketing business significantly decreased from approximately HK\$50,313,000 for the year ended 31 March 2022 to HK\$15,328,000 for the year ended 31 March 2023. The revenue is affected by stumbled economic conditions in China. The Group has customers exited the market and some of them experienced a significant reduction in profits. As a result, the customers continued to reduce their outsourcing of advertising and marketing activities. When facing this downward trend of business, the Group focused on improving the profit margin of projects undertaken and scaling back the size of operations to conserve cash and working capital. The Group took actions to consolidate the operation of digital marketing segment. Subsequent to the fiscal year end, the Group disposed and commenced voluntarily winding up of three indirect non-wholly owned subsidiaries (details see description below).

The revenue for publishing and IPs licensing business was broadly stable with a decrease of approximately 0.6% compared with the same period last year.

The revenue of retailing and wholesales segment records the sales of premium wine of HK\$3,289,000 for the year ended 31 March 2023 (31 March 2022: HK\$nil). As the Covid-19 pandemic lockdown situation has ended, it is expected that the demand for premium wine will pick up as consumption and social activities are recovering.

2. Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$14,516,000 with gross profit margin of 47.4% for the year ended 31 March 2023 as compared to the same period of 2022, which recorded a gross profit of HK\$21,758,000 with a gross profit margin of 34.9%.

The increase in gross profit margin was the result of production cost control and the adoption of new marketing strategy in digital marketing segment.

3. Selling expenses

The selling expenses from operations decreased from approximately HK\$13,051,000 for the year ended 31 March 2022 to approximately HK\$4,891,000 for the year ended 31 March 2023. The decrease was mainly due to a drop in revenue and rightsizing of the operation by consolidating digital marketing business segment for the year ended 31 March 2023.

4. Administrative expenses

The Group recorded an aggregate administrative expense from operations of approximately HK\$31,078,000 for the year ended 31 March 2023 (2022: HK\$33,164,000).

The major expenses components for the year ended 31 March 2023 were staff cost of approximately HK\$14,138,000 (2022: HK\$17,337,000), depreciation of right-of-use assets of approximately HK\$2,085,000 (2022: HK\$2,087,000), audit fee of approximately HK\$1,580,000 (2022: HK\$1,450,000), listing and corporate services fee of approximately HK\$1,213,000 (2022: HK\$1,043,000), advertising and promotion expenses of approximately HK\$1,230,000 (2022: HK\$30,000), and directors' emoluments of approximately HK\$6,211,000 (2022: HK\$3,349,000), which included the equity-settled share-based payment of approximately HK\$2,187,000 (2022: HK\$nil).

The decrease in administrative expenses from operations was mainly due to lessen business activities under the Covid-19 pandemic and streamlining of operations by continuous effort of cost control.

5. Other impairment losses

An impairment loss on right-of-use assets of approximately HK\$1,778,000 (2022: HK\$nil) has been recognised due to the assessment of the assets' recoverability.

An impairment loss on intangible assets of approximately HK\$245,000 (2022: HK\$1,309,000) has been recognised as the actual sales generated from customer contracts were lower than the expected demand.

For the year ended 31 March 2022, approximately HK\$1,452,000 for goodwill related to Hyperchannel Info has been impaired, which was based on the impairment assessment.

6. Other expenses

The other expenses from operations recorded research costs of approximately HK\$5,939,000 (2022: HK\$10,239,000) for developing the online platform of digital marketing business. In 2023, legal, consultancy and other professional fees of approximately HK\$7,126,000 (2022: HK\$9,284,000), were paid to lawyers for providing legal services and paid to consultants for providing professional advices on business operations and development. An expense of approximately HK\$1,566,000 for the year ended 31 March 2023 (2022: HK\$nil) in relation to share options granted to a consultant by the Company had been recognised.

7. Loss for the year

The Group recorded a loss from operations of approximately HK\$38,655,000 for the year ended 31 March 2023 (2022: HK\$39,205,000). This was primarily due to continuous sales decrease in digital marketing segment. The Group will continue to take actions to reduce costs and improve our profitability going forward.

As of 31 March 2023, the Group had net assets of approximately HK\$147,400,000 (31 March 2022: HK\$190,894,000) and net asset value per share of HK\$0.09 (31 March 2022: HK\$0.11).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2023, the Group had cash and bank balances with financial institutions in aggregate of approximately HK\$61,497,000 and a total of financial assets at fair value through profit or loss of approximately HK\$8,621,000.

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

As of 31 March 2023, the Group had a net current assets of approximately HK\$133,475,000 (31 March 2022: HK\$179,547,000) and a current ratio of approximately 10.0 (31 March 2022: 12.9). The Group’s total liabilities as of 31 March 2023 amounted to approximately HK\$15,106,000 (31 March 2022: HK\$15,119,000) and the gearing ratio of the Group represented approximately 10.9% (31 March 2022: 8.3%) to equity attributable to owners of the Company.

In conclusion, the Directors are confident that the Group will have sufficient liquidity to finance its daily operations. As always, we remain prudent and conservative in managing our financial position to maintain maximum financial flexibility.

DEPOSIT PAID FOR INTANGIBLE ASSET

As mentioned in Note 16, the Group had deposit paid for the natural language processing technology development and production of software and chipset, approximately HK\$34,835,000 in total for the year ended 31 March 2023. Such intangible asset is for the design and implementation in both software and embedded chipset domains and produce kinds of offline Chinese language voice recognition chips that can be broadly applied to various electronic devices or application environments.

ACQUISITION OF EQUITY INTEREST OF SUBSIDIARIES

During the reporting period, the Group has acquired of (i) additional 5% equity interest in a subsidiary from an independent third party for a cash consideration of HK\$2,800,000; and (ii) additional 15% equity interest in a subsidiary from an independent third party for a cash consideration of HK\$2,000,000. These acquisitions were completed and equity interests were transferred to the Group from independent third parties.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2023, the Group had a total of 52 employees of which 31 are based in Hong Kong and 21 in the PRC. Total staff costs (excluding share-based payments of HK\$2,187,000) from operations incurred for the year ended 31 March 2023 amounted to approximately HK\$22,369,000 (31 March 2022: HK\$33,483,000). The management periodically reviews remuneration packages to ensure they remain competitive. Certain directors and employees may receive discretionary bonuses and incentive share options based on the Group performance and their individual merit and performance.

CHANGE IN USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Reference is made to (i) the announcement issued by the Company on 1 March 2021, 30 April 2021, 6 May 2021 and 12 June 2023; and (ii) the Circular of the Company dated 9 April 2021 in relation to the placing of new shares under the specific mandate.

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

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

As disclosed in the circular of the Company dated 9 April 2021, the Company intended to use the net proceeds from the Subscription of approximately HK\$41,400,000 as follows:

1. approximately HK\$8,600,000 as working capital for building and strengthening the marketing and technical team;
2. approximately HK\$15,200,000 as working capital for provision of management services for key opinion leaders;
3. approximately HK\$11,900,000 for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability; and
4. approximately HK\$5,700,000 as general working capital of the Group.

As at 31 March 2023, the net proceeds from the Subscription intended to be utilised as working capital for provision of management services for key opinion leaders (i.e. approximately HK\$15,200,000) has not been utilised accordingly; and approximately HK\$2,220,000 intended for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability has not been utilised. Therefore, total HK\$17,420,000 of the net proceeds from the Subscription has not been utilised as at 31 March 2023.

On 12 June 2023, after careful consideration and evaluation of the Group's operations and business strategy, the Directors resolved to change the use of the net proceeds raised from the Subscription which has not been utilised, in the amount of approximately HK\$17,420,000, to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilized by the Group by 31 March 2024.

PROPOSED ACQUISITION

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

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

This proposed acquisition is subject to the approval by the shareholders of the Company at Special General Meeting. Details of the Proposed Acquisition were set out in the announcements of the Company dated 2 June 2021, 26 August 2021 and 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022 and 27 June 2022, 29 September 2022, 25 November 2022, 30 January 2023 and 28 April 2023 respectively.

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

Reference is made to the announcement issued by the Company on 12 June 2023. On 12 June 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agrees to procure, as agent of the Company, for no less than six Placees to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000 at the initial Conversion Price of HK\$0.50 (subject to adjustment) per Share on a best effort basis. Upon full conversion of the Convertible Bonds, a maximum of 200,000,000 Conversion Shares will be allotted and issued to the Placees. The gross proceeds from the Placing will be up to HK\$100,000,000. The net proceeds from the Placing (after deducting the commission for the Placing and other costs and expenses) will be approximately HK\$98,500,000.

The placing of the Convertible Bonds has not completed at the reporting date.

DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY AND VOLUNTARY LIQUIDATION OF TWO NON-WHOLLY OWNED SUBSIDIARIES

Following the action of streamlining and consolidation the digital marketing business since the beginning of the last fiscal year, there is organization restructure.

In April 2023, The Group entered into an agreement to dispose of the entire equity interest in Hyperchannel Info Tech., Ltd.* 北京匯傳網絡信息科技有限公司 (“Hyperchannel Info”), an indirect non-wholly owned subsidiary of the Company, to an independent third party for a total cash consideration of RMB50,000.

On 15 June 2023, the Group announced that the shareholders of Eqmen Technology Limited* (北京易奇門科技有限公司) (“Eqmen”), and the shareholders of Beijing Star Engine Information Technology Co., Ltd.* (北京星河引擎信息科技有限公司) (“Beijing Star Engine”), indirect non-wholly owned subsidiaries of the Company, have passed resolution to set up liquidation group to liquidate Eqmen and Beijing Star Engine in accordance with the applicable laws and regulations in the PRC.

The Group considers the voluntary liquidation of Eqmen and Beijing Star Engine is appropriate to reduce its losses and reallocate the resources and management effort to the Group’s other existing businesses, as well as to explore further business opportunities should any arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 March 2023, the Group did not have any significant capital commitment (31 March 2022: nil).

Save as disclosed in note 17, the Group did not have any other significant contingent liabilities as at 31 March 2023.

BUSINESS REVIEW

Digital Marketing

The Group has experienced a rather challenging year. Although lockdowns and business disruptions in the PRC due to Covid-19 had ended near the end of the fiscal year, the downward trend of economic activities during the past two years had impacted our overall business activities significantly, in particular in the digital marketing segment. Against such acute business and economic environment, the Group focused on conserving resources, restructuring operations, and taking actions to control and reduce costs and expenses. During the year, the revenue of digital marketing has decreased 69.5% from HK\$50,313,000 in 2022 to HK\$15,328,000 in 2023.

In streamlining its operations, the operation of the Group's two 55% owned subsidiaries in Beijing, including Beijing Skyvior Technology Co. Ltd.* (北京乾智傳視科技有限公司) ("Beijing Skyvior") and Hyperchannel Info, specializing in digital marketing, applying big data analysis in matching IPs to assist customers in marketing products and services, were consolidated in last year. The consolidation resulted significant cost savings. However, the revenue declined drastically, as the prospect of business recovering was unknown, and the operation suffered a considerable brain drain. Subsequent to the fiscal year end, the Group decided to dispose Hyperchannel Info to further streamline the structure of digital marketing segment. Also, upon discussion and negotiation with WPP Marketing (Hong Kong) Limited, our 19.9% joint-venture partner of Beijing Star Engine, it has been agreed to commence the process of voluntarily winding up of Beijing Star Engine. Beijing Star Engine was set up in 2021 and was engaged in providing technical support and services of our digital marketing team to our customer, but its operating result was far below expectations and forecast. There are no reasonable means and prospect of making any material improvement on the financial performance of Beijing Star Engine in the foreseeable future.

The digital marketing segment is currently at a cross-road, the Group further passed the resolution to liquidate Eqmen, an indirectly non-wholly owned subsidiary. Subsequent to the fiscal year end, the remaining operation of the digital marketing segment in Beijing and Guangzhou, is down sized significantly and total number of employees is reduced from 54 to 9 in last year. In the dissolution of the two indirect non-wholly owned subsidiaries, the Company is expected to retrieve and receive cash from distributions of the net assets upon completion of the voluntary winding up, the cash will be retained and applied as general working capital of the Group.

Publishing and IPs Licensing Business

The Publishing and IPs licensing business is stable. Revenue from this segment, were HK\$11,983,000 in 2023 and HK\$12,052,000 in 2022. The Company is putting more effort on publication book sales of IPs' owned or under licenses, and to broaden the scope of licensing business.

Retail and Wholesales Business

The Group's premium wine is primary for consumption by high-end consumer groups or restaurants. During the year, the Company had sold some wine stock and generated revenue of HK\$3,289,000, as compared to HK\$nil in last year. As the lockdowns of bars and entertainment outlets are released, the Group expects the sale of premium wine should revive due to the recovery of economy.

PROSPECT

The prolonged Covid-19 pandemic had caused adverse effect on business and slowed down or delayed new business development. The digital marketing business has faced unusual challenges and has been scaling down its operation substantially. The total number of employees of the Group reduced from 84 in 2022 to 52 in 2023. Overall revenue dropped about 50.9% from HK\$62,365,000 in 2022 to HK\$30,600,000 in 2023.

Despite the outbreak of COVID-19 pandemic causing the Group to experience a reduction of its business activities of intellectual properties related business and digital marketing, the Board strives hard to maximise value for the Shareholders by pursuing all potential viable investment and business opportunities and expanding its business segments in order to broaden the revenue and profit base of the Group. In light of (i) the anticipated recovery in economy in the second half of 2023; and (ii) increasing prevalence of technology in service sector, the Group, with its aspirations on artificial technology and previous research and development, intends to further invest on the development and production of software and chipset with natural language processing technology, with a focus on Chinese language voice recognition, which is anticipated to have broad applications. The Group is optimistic about the general economic recovery and will strive to maintain and focus on improving operational efficiency while moving steadily and cautiously in fostering new business development.

The Group completed the subscription of new shares under specific mandates to an investor in May 2021, net raising approximately HK\$41,575,000 to strengthen the financial position of the Group, adding working capital to fund operation, new projects and business development. Due to scaling back of operation of the digital marketing segment, the Company decided to change the use of the remaining unutilised net proceeds from the Subscription in the amount of approximately HK\$17,420,000 to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilised by the Group by 31 March 2024.

On 18 November 2022, the Group announced a strategic alliance with iFlytek Co., Ltd. (科大訊飛股份有限公司) (“iFlytek”) which is a well-known listed company in intelligent speech and AI technologies in the Asia-Pacific region (Shenzhen Stock Exchange Stock Code: 002230), and Imitation Brain Technology (Shenzhen) Co., Ltd. (仿腦科技(深圳)有限公司) to develop AI speech technology real-time human interaction, including design and implementation in both software and embedded chipset domains and produce kinds of offline Chinese language voice recognition chips that can be broadly applied to various electronic devices or application environments. The Group has in the past been investing in the research and development of artificial intelligence for Chinese language recognition. The Group is expecting this first application of such technology will yield the first fruitful result of years of efforts in supporting the research and development of artificial intelligence for Chinese language recognition. The Group believes the AI speech recognition chips (i. e. language chips), being one of the core components of IoT interactions, will be applied in the market research in digital marketing as an analysis tool and will be broadly used.

On 12 June 2023, the Company announced the placement of convertible bonds to raise cash of \$98,500,000, net of which about \$68,950,000 will be used to the injection of capital for the natural language processing technology development and production of software and chipset, and marketing expenses for products (the “Natural Language Processing Business”); about \$19,700,000 will be utilized for working capital for the revitalization and promotion of the Group’s intellectual properties; and the remaining \$9,850,000 will be retained for general working capital of the Group, including the payment of salary, rental expenses, IT services and other office overhead of the Group. The placement of convertible bonds has not completed at the date of this annual announcement.

We foresee a pivotal change of operation with focus on the natural language processing business, while maintaining the other business segments at sustainable level and generating profits for the Group.

CLOSURE OF REGISTERS OF MEMBERS

The Principal Register of Members and the branch Registers of Members will be closed from 24 August 2023 to 29 August 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2023 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, Wan Chai, Hong Kong not later than 4:30 p.m. 23 August 2023.

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 2023.

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 2023.

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 2023 except for the following deviations:

Code Provision B.2.2

Under the code provision B.2.2, 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) 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 F.2.2

Under the code provision F.2.2, the Chairman of the Board should attend the Annual General Meeting. On 27 April 2022, the Company has appointed Mr. Wong Kon Man Jason as Non-executive Director and Chairman of the Board of the Company to fill up the vacancy of Chairman. The Chairman had attended the Annual General Meeting held on 23 August 2022.

MINIMUM NUMBERS OF CORPORATE GOVERNANCE COMMITTEE

According to the written terms of reference, the Corporate Governance Committee (the “CGC”) comprised of 4 members. Following the resignation of Mr. Huang Mingguo on 2 July 2021, Ms. Hung Wai Kwan on 8 August 2021 and Ms. Chow Lai Wah Livia on 13 January 2023, and the appointment of Mr. Wong Kon Man Jason and Mr. Yue Chi Wing on 28 June 2022, the Company currently comprises of three Corporate Governance Committee members, Mr. Kwan Kin Chung, and, Mr. Wong Kon Man Jason and Mr. Yue Chi Wing respectively. The Board will commence a process to identify replacement so as to full the written terms of reference of Corporate Governance Committee.

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

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2023.

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 2023

As of the date of this announcement, the Board comprises Mr. Kwan Kin Chung and Mr. Yuen Kin as Executive Directors; Mr. Wong Kon Man Jason (Chairman) and Dr. Liu Ka Ying Rebecca (Vice Chairman) as Non-executive Directors; and Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik as Independent Non-Executive Directors.

* *For identification purpose only*