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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 2024

#### 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 2024 together with the comparative figures for the corresponding year of 2023 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	3	20,158	30,600
Cost of sales		<u>(10,307)</u>	<u>(16,084)</u>
Gross profit		9,851	14,516
Other income	5	5,349	1,213
Other gains or losses	6	3,328	(1,957)
Impairment loss under expected credit loss (“ECL”) model, net of reversal		808	643
Other impairment losses	8	(971)	(2,023)
Selling expenses		(1,949)	(4,891)
Administrative expenses		(28,909)	(31,078)
Other expenses	9	(7,860)	(14,631)
Finance costs	7	(69)	(125)
Share of loss of an associate		<u>(386)</u>	<u>(170)</u>
Loss before tax	9	(20,808)	(38,503)
Income tax expense	10	<u>(121)</u>	<u>(152)</u>
<b>Loss for the year</b>		<u><u>(20,929)</u></u>	<u><u>(38,655)</u></u>

	<i>NOTES</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Other comprehensive (expense) income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(7,376)	(8,631)
Fair value gain of financial assets at fair value through other comprehensive income		<u>2</u>	<u>—</u>
		<u>(7,374)</u>	<u>(8,631)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		4,269	4,881
Reclassification of cumulative translation reserve upon disposal of a subsidiary		(438)	—
Reclassification of cumulative translation reserve upon deregistration of a subsidiary		<u>760</u>	<u>(2)</u>
		<u>4,591</u>	<u>4,879</u>
Other comprehensive expense for the year		<u>(2,783)</u>	<u>(3,752)</u>
Total comprehensive expense for the year		<u>(23,712)</u>	<u>(42,407)</u>
Loss for the year attributable to:			
– Owners of the Company		(20,782)	(37,223)
– Non-controlling interests		<u>(147)</u>	<u>(1,432)</u>
		<u>(20,929)</u>	<u>(38,655)</u>
Total comprehensive (expense) income attributable to:			
– Owners of the Company		(24,076)	(40,596)
– Non-controlling interests		<u>364</u>	<u>(1,811)</u>
		<u>(23,712)</u>	<u>(42,407)</u>
<b>Loss per share</b>			
Basic and diluted (HK cents)	12	<u>(1.2)</u>	<u>(2.2)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31 MARCH 2024

		2024	2023
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property and equipment		81	89
Right-of-use assets		273	617
Goodwill	13	–	–
Interest in an associate		222	765
Intangible assets	14	5,525	6,013
Deposits	16	488	466
Financial assets at fair value through profit or loss		226	6,301
Financial assets at fair value through other comprehensive income		413	–
Deferred tax assets		40	31
		<u>7,268</u>	<u>14,282</u>
<b>Current assets</b>			
Inventories		32,008	34,359
Trade receivables	15	3,465	8,674
Contract assets		118	–
Other receivables, deposits and prepayments	16	35,325	41,374
Loan receivables	17	7,956	–
Financial assets at fair value through profit or loss		1,714	2,320
Bank balances and cash		38,228	61,497
Tax recoverable		200	–
		<u>119,014</u>	<u>148,224</u>
<b>Current liabilities</b>			
Trade payables	18	946	1,419
Other payables and accrued charges	18	8,331	10,662
Loan from a shareholder		4,364	–
Loans from directors		3,436	–
Lease liabilities		526	2,190
Tax payables		–	478
		<u>17,603</u>	<u>14,749</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
<b>Net current assets</b>	<b>101,411</b>	133,475
<b>Total assets less current liabilities</b>	<b>108,679</b>	147,757
<b>Non-current liabilities</b>		
Lease liabilities	–	357
	–	357
<b>Net assets</b>	<b>108,679</b>	147,400
<b>Capital and reserves</b>		
Share capital	16,687	16,687
Share premium and reserves	97,100	121,863
Equity attributable to owners of the Company	113,787	138,550
Non-controlling interests	(5,108)	8,850
<b>Total equity</b>	<b>108,679</b>	147,400

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

## 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

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendment to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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 2024				
	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>
<b>Timing of revenue recognition:</b>					
At a point in time:					
– Comic books sales	12,419	–	–	–	12,419
– Royalty income from IPs licensing	2,685	–	–	–	2,685
– New media advertising revenue	–	2,484	–	–	2,484
– Sales of wine	–	–	2,457	–	2,457
Over time:					
– Social media marketing	–	113	–	–	113
Total	<u>15,104</u>	<u>2,597</u>	<u>2,457</u>	<u>–</u>	<u>20,158</u>
<b>Geographical markets:</b>					
Hong Kong (place of domicile)	15,104	–	2,457	–	17,561
The People's Republic of China (the "PRC")	–	2,597	–	–	2,597
Total	<u>15,104</u>	<u>2,597</u>	<u>2,457</u>	<u>–</u>	<u>20,158</u>

Year ended 31 March 2023

	Publishing and 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>
<b>Timing of revenue recognition:</b>					
At a point in 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>
<b>Geographical markets:</b>					
Hong Kong (place of domicile)	11,983	–	3,289	–	15,272
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>

#### 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 licensing 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 2024*

	<b>Publishing and IPs licensing <i>HK\$'000</i></b>	<b>Digital marketing <i>HK\$'000</i></b>	<b>Retailing and wholesales <i>HK\$'000</i></b>	<b>Natural language processing <i>HK\$'000</i></b>	<b>Consolidated <i>HK\$'000</i></b>
Revenue					
External sales	<u>15,104</u>	<u>2,597</u>	<u>2,457</u>	<u>–</u>	<u>20,158</u>
Segment results	<u>1,384</u>	<u>2,236</u>	<u>(887)</u>	<u>(2,873)</u>	(140)
Unallocated expenses					(25,717)
Unallocated income					238
Other gains and losses					<u>4,811</u>
Loss before tax					<u>(20,808)</u>



*For the year ended 31 March 2023*

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

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"), gain on deregistration of a subsidiary, equity-settled share-based payments, impairment loss of right-of-use assets 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 2024*

	Publishing and 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>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>							
Amortisation of intangible assets	488	–	–	–	488	–	488
Bank interest income	(75)	(91)	–	(2)	(168)	(9)	(177)
Depreciation of property and equipment	36	8	–	3	47	7	54
Depreciation of right-of-use assets	342	–	–	–	342	–	342
Finance costs	22	–	–	–	22	47	69
Gain on deregistration of a subsidiary	–	–	–	–	–	(10,942)	(10,942)
Gain on disposal of a subsidiary	–	(823)	–	–	(823)	–	(823)
Impairment loss under ECL model, net of reversal	(912)	(83)	–	69	(926)	118	(808)
Impairment loss on interest in an associate	157	–	–	–	157	–	157
Impairment loss on prepayments	560	–	–	–	560	–	560
Impairment loss on right-of-use assets	–	–	–	–	–	254	254
Share of loss of an associate	386	–	–	–	386	–	386
<b>Amounts regularly provide to CODM</b>							
Addition to non-current assets	<u>261</u>	<u>–</u>	<u>–</u>	<u>19</u>	<u>280</u>	<u>8</u>	<u>288</u>

**For the year ended 31 March 2023**

	Publishing and 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>	Segment total <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit or loss:</b>							
Amortisation 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 asset	–	245	–	–	245	–	245
Share of loss of an associate	170	–	–	–	170	–	170
<b>Amounts regularly provide to CODM</b>							
Addition to non-current assets	<u>34</u>	<u>13</u>	<u>–</u>	<u>–</u>	<u>47</u>	<u>14</u>	<u>61</u>

**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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>17,561</b>	15,272	<b>6,080</b>	7,484
The PRC	<b>2,597</b>	15,328	<b>21</b>	–
	<u><b>20,158</b></u>	<u>30,600</u>	<u><b>6,101</b></u>	<u>7,484</u>

*Note:* Non-current assets excluded those relating to deferred tax assets and financial instruments including financial assets at FVTPL, financial assets at fair value through other comprehensive income ("FVTOCI") and deposits.

## Information about major customers

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A <sup>1</sup>	<b>5,648</b>	N/A <sup>4</sup>
Customer B <sup>1</sup>	<b>5,133</b>	5,590
Customer C <sup>2</sup>	<b>2,457</b>	3,289
Customer D <sup>1</sup>	<b>2,362</b>	N/A <sup>4</sup>
Customer E <sup>3</sup>	<b>N/A<sup>4</sup></b>	6,251

<sup>1</sup> Revenue from publishing and IPs licensing segment.

<sup>2</sup> Revenue from retailing and wholesales segment.

<sup>3</sup> Revenue from digital marketing segment.

<sup>4</sup> 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:

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Comic books	<b>12,419</b>	8,336
Premium wine	<b>2,457</b>	3,289
Royalty income	<b>2,685</b>	3,647
Digital marketing	<b>2,597</b>	15,328
	<b>20,158</b>	30,600

## 5. OTHER INCOME

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank interest income	177	215
Consultancy income	41	–
Dividend income from financial assets at FVTPL	85	28
Imputed interest income from loan receivables	183	–
Investment income from financial assets at FVTOCI	46	–
Recovery of impairment loss on trade receivables previously recognised <i>(Note i)</i>	1,491	–
Recovery of impairment loss on prepayments previously recognised <i>(Note i)</i>	2,453	–
Subsidies <i>(Note ii)</i>	19	827
Sundry income	143	104
Written off of other payables	658	39
Written off of trade payables	53	–
	<b>5,349</b>	1,213
	<b>5,349</b>	1,213

*Note i:* During the year ended 31 March 2024, the recovery of impairment loss on trade receivables and prepayments previously recognised were made in respect of civil actions by the Group against the suspected misconduct behaviour of customers and suppliers in digital marketing business.

*Note ii:* During the year ended 31 March 2024, the subsidies included the amount of approximately HK\$Nil (2023: HK\$676,000) granted in relation to the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region in respect of COVID-19-related subsidies. The other subsidies in both years were related to incentive payments received by the Group. There were no unfulfilled conditions attached to these subsidies.

## 6. OTHER GAINS OR LOSSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Gain (loss) on fair value change of financial assets at FVTPL		
– held for trading	439	(381)
– others	(6,375)	(996)
Gain on deregistration of a subsidiary (Note 19b)	10,942	42
Gain on disposal of a subsidiary (Note 19a)	823	–
Gain (loss) on disposal of property and equipment	3	(14)
Loss on written off of property and equipment	(5)	–
Net foreign exchange loss	(2,499)	(608)
	<u>3,328</u>	<u>(1,957)</u>

## 7. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interests on lease liabilities	<u>69</u>	<u>125</u>

## 8. OTHER IMPAIRMENT LOSSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Impairment losses recognised in respect of		
– associate	157	–
– intangible assets (Note 14)	–	245
– prepayments (Note)	560	–
– right-of-use assets	254	1,778
	<u>971</u>	<u>2,023</u>

*Note:* During the year ended 31 March 2024, impairment loss of approximately HK\$560,000 in respect of prepayments to suppliers in publishing and IPs licensing.

## 9. LOSS BEFORE TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	4,204	6,211
Other staff costs:		
– Retirement benefit scheme contributions	601	973
– Salaries and other benefits	14,972	17,372
	<u>19,777</u>	<u>24,556</u>
Auditor's remuneration		
– Audit services	1,350	1,580
– Non-audit services	250	220
Cost of inventories recognised as expenses	8,860	7,505
Costs to fulfil the contracts with customers	1,447	8,579
Depreciation of property and equipment	54	117
Depreciation of right-of-use assets	342	2,085
Amortisation of intangible assets	488	631
Legal, consultancy and other professional fees (included in other expenses) ( <i>Note i</i> )	5,437	7,126
Staff termination cost	1,560	–
Research cost (included in other expenses) (including staff costs of approximately HK\$1,284,000 (2023: HK\$1,869,000))	2,423	5,939
Equity-settled share-based payments (included in other expenses) ( <i>Note ii</i> )	–	1,566
Expenses relating to short-term leases	714	1,050
Gain on deregistration of a subsidiary	(10,942)	(42)
Gain on disposal of a subsidiary	(823)	–
	<u><u>19,777</u></u>	<u><u>24,556</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

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% (2023: 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.

	<b>2024</b>	2023
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current tax		
– Hong Kong Profit tax	<b>154</b>	195
Deferred tax		
– Deferred tax credit	<b>(9)</b>	(43)
Overprovision in respect of prior years		
– Hong Kong Profit tax	<b>(24)</b>	–
	<hr/>	<hr/>
Income tax expense	<b><u>121</u></b>	<u>152</u>



## 11. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2024, nor has any dividend been proposed since the end of reporting period (2023: 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:

	<b>2024</b>	2023
	<b>'000</b>	<b>'000</b>
Weighted average number of shares for the purposes of basic and diluted loss per share	<b><u>1,668,657</u></b>	<u>1,668,657</u>
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<b><u>(20,782)</u></b>	<u>(37,223)</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 2024 and 2023.

### 13. GOODWILL AND IMPAIRMENT ASSESSMENT

**Total**  
*HK\$'000*

#### **COST**

At 1 April 2022	23,715
Exchange realignment	(1,689)
	<hr/>
At 31 March 2023	22,026
Disposal of a subsidiary	(2,504)
Deregistration of a subsidiary	(18,483)
Exchange realignment	(1,039)
	<hr/>
At 31 March 2024	—

#### **ACCUMULATED IMPAIRMENT**

At 1 April 2022	23,715
Exchange realignment	(1,689)
	<hr/>
At 31 March 2023	22,026
Disposal of a subsidiary	(2,504)
Deregistration of a subsidiary	(18,483)
Exchange realignment	(1,039)
	<hr/>
At 31 March 2024	—

#### **CARRYING VALUES**

At 31 March 2024	—
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At 31 March 2023	—
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For the purposes of impairment testing, goodwill has been allocated to two individual cash-generating units (“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

## **Eqmen**

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

The goodwill had been fully derecognised upon deregistered during the year ended 31 March 2024. Further details are set out in Note 19b.

## **Hyperchannel Info**

The goodwill had been fully impaired as at 31 March 2022.

The goodwill had been fully derecognised upon disposal during the year ended 31 March 2024. Further details are set out in Note 19a.

## 14. INTANGIBLE ASSETS

	Club memberships <i>HK\$'000</i> <i>(Note i)</i>	Customer contracts and related customer relationship <i>HK\$'000</i> <i>(Note ii)</i>	Software <i>HK\$'000</i> <i>(Note ii)</i>	Intellectual property rights <i>HK\$'000</i> <i>(Note iii)</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 April 2022	1,385	5,396	5,884	–	12,665
Additions	–	–	–	4,880	4,880
Exchange realignment	–	(402)	(419)	–	(821)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	1,385	4,994	5,465	4,880	16,724
Disposal of a subsidiary	–	(2,132)	–	–	(2,132)
Deregistration of a subsidiary	–	(2,655)	(2,086)	–	(4,741)
Exchange realignment	–	(207)	(335)	–	(542)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2024	1,385	–	3,044	4,880	9,309
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>					
At 1 April 2022	–	5,396	5,212	–	10,608
Charge for the year	–	–	379	252	631
Impairment loss recognised for the year <i>(Note iv)</i>	–	–	245	–	245
Exchange realignment	–	(402)	(371)	–	(773)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	–	4,994	5,465	252	10,711
Charge for the year	–	–	–	488	488
Eliminated on disposal of a subsidiary	–	(2,132)	–	–	(2,132)
Eliminated on deregistration of a subsidiary	–	(2,655)	(2,086)	–	(4,741)
Exchange realignment	–	(207)	(335)	–	(542)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2024	–	–	3,044	740	3,784
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>CARRYING VALUES</b>					
At 31 March 2024	<u>1,385</u>	<u>–</u>	<u>–</u>	<u>4,140</u>	<u>5,525</u>
At 31 March 2023	<u>1,385</u>	<u>–</u>	<u>–</u>	<u>4,628</u>	<u>6,013</u>

*Note i:* 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 ii:* 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 iii:* 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 iv:* 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\$Nil (2023: HK\$245,000) related to the software for the year ended 31 March 2024.

## 15. TRADE RECEIVABLES

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	4,408	11,224
Less: allowance for credit losses	(943)	(2,550)
	<u>3,465</u>	<u>8,674</u>

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

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 60 days	1,439	6,980
61 – 90 days	442	381
91 – 180 days	1,264	1,281
Over 180 days	320	32
	<u>3,465</u>	<u>8,674</u>

As at 31 March 2024, included in the Group's trade receivables are approximately HK\$38,000 (2023: HK\$Nil) due from Culturecom Media & Entertainment Limited ("CMEL"), an associate of the Group.

As at 31 March 2024, included in the Group's trade receivables balance are debtors with aggregate gross amount of approximately HK\$1,837,000 (2023: HK\$2,821,000) which are past due and also past due over 90 days as at the reporting date, of which approximately HK\$942,000 (2023: HK\$2,275,000) are considered credit impaired. Included in the past due balances for 90 days or more, allowance for credit losses of approximately HK\$942,000 (2023: HK\$2,275,000) has been provided as of 31 March 2024.

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2024</b> <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other receivables	<b>200</b>	2,762
Less: allowance of credit losses	<b>(120)</b>	(44)
	<b>80</b>	2,718
Deposits and prepayments (Note)	<b>35,737</b>	39,130
Less: allowance for credit losses	<b>(4)</b>	(8)
	<b>35,733</b>	39,122
Total other receivables, deposits and prepayments	<b>35,813</b>	41,840
Less: amounts that will be settled or utilised within one year	<b>(35,325)</b>	(41,374)
Amounts that will be utilised for more than one year	<b>488</b>	466

*Note:* As at 31 March 2024, the amount mainly comprised of deposits paid for intangible assets of approximately HK\$33,269,000 (2023: HK\$34,835,000) to independent third parties under natural language processing business.

As at 31 March 2024, included in the deposits and prepayments are approximately HK\$220,000 (2023: HK\$110,000) paid to CMEL, an associate of the Group.

## 17. LOAN RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loan receivables from independent third parties	8,068	—
Less: allowance of credit losses	<u>(112)</u>	<u>—</u>
	<u><u>7,956</u></u>	<u><u>—</u></u>

During the year ended 31 March 2024, the Group has entered into certain loan agreements with independent third parties.

The loan receivables were unsecured, interest-free and repayable within one year. Fair value of the loan receivables on initial recognition is determined based on effective interest rate ranging from 3.50% to 3.71% per annum. The difference between the principal amount of the loan and its fair value determined on initial recognition amounting to approximately HK\$384,000.

## 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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 60 days	717	1,031
61 – 90 days	216	308
Over 90 days	<u>13</u>	<u>80</u>
	<u><u>946</u></u>	<u><u>1,419</u></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.

As at 31 March 2024, other payables and accrued charges included deposit received approximately HK\$285,000 (2023: HK\$313,000), accrued operating expenses approximately HK\$5,014,000 (2023: HK\$7,354,000), accrued salaries approximately HK\$1,060,000 (2023: HK\$2,255,000) and accrued staff termination cost HK\$1,560,000 (2023: HK\$Nil).

## 19. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

### a) Disposal of a subsidiary

On 13 April 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Hyperchannel Info for a total cash consideration of RMB50,000 (equivalent to HK\$57,075).

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

	<i>HK\$'000</i>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Other receivables, prepayments and deposits	34
Other payables and accrued charges	(504)
Bank balances and cash	104
	<hr/>
Net liabilities disposed of	(366)
	<hr/> <hr/>
<b>Gain on disposal of a subsidiary:</b>	
Consideration	57
Net liabilities disposed of	366
Derecognition of goodwill ( <i>note</i> )	—
Non-controlling interests	(38)
Reclassification of cumulative translation reserve upon disposal to profit or loss	438
	<hr/>
Gain on disposal	823
	<hr/> <hr/>
<b>Net cash outflow arising on disposal</b>	
Cash consideration received	57
Less: Bank balances and cash disposed of	(104)
	<hr/>
	(47)
	<hr/> <hr/>

*Note:* The goodwill had been fully impaired in prior years.

### b) Deregistration of a subsidiary

On 20 March 2024, the Group deregistered Eqmen in which the Group held 55% of the equity interests and recognised a gain on deregistration of approximately HK\$10,942,000.



## **20. EVENTS AFTER THE REPORTING PERIOD**

On 28 May 2021, the Company and 4 vendors in the PRC (“Vendors”) entered into an agreement for potential sales and purchase of 100% equity interest (“Sale Capital”) of a company established in the PRC which is principally engaged in development and sales of artificial intelligence hardware and software. The Vendors have agreed to sell the Sale Capital for a total consideration of 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 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, 28 April 2023, 31 July 2023, 28 September 2023, 30 November 2023, 31 January 2024, 28 March 2024 and 31 May 2024 respectively.

Save as disclosed elsewhere in this announcement, there are no material subsequent events took place after 31 March 2024 and up to the date of this announcement.

## **DIVIDEND**

No dividend was paid or proposed during the year of 2024 and 2023, 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 2024 decreased by approximately 44.2% to HK\$20,782,000 or HK1.2 cents per share (2023: loss of HK\$37,223,000 or HK2.2 cents per share). The analysis of consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2024 is as follows:

### **1. Revenue**

For the year ended 31 March 2024, the Group's overall revenue from operations significantly decreased by approximately 34.1% from HK\$30,600,000 to HK\$20,158,000 of which approximately HK\$15,104,000, HK\$2,597,000, and HK\$2,457,000 (2023: HK\$11,983,000, HK\$15,328,000 and HK\$3,289,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing, and retailing and wholesales respectively.

The revenue from the digital marketing business significantly decreased from approximately HK\$15,328,000 for the year ended 31 March 2023 to HK\$2,597,000 for the year ended 31 March 2024. This decrease in revenue was influenced by the downsizing of operations. In response to the business's downward trajectory, the Group has prioritized cash and working capital conservation. Following the end of the 2023 fiscal year, the Group began the voluntary winding up of the indirect non-wholly owned subsidiaries and disposed of them (details see description below).

The revenue for publishing and IPs licensing business was boosted with an increase of approximately 26.0%. The revenue for the business of publishing and IPs licensing is escalated compared with the same period last year due to more acquired licences for Japanese comics resulting increased publication sales.

The revenue of retailing and wholesales segment records the sales of premium wine of HK\$2,457,000 for the year ended 31 March 2024 (31 March 2023: HK\$3,289,000). While the Hong Kong economy experienced a resurgence following the lifting of Covid-19 lockdowns in the first quarter of 2023, the pace of recovery has since slowed. There were no good opportunities to sale the premium wine in lot. The Group is continuously working with the consultant to develop sales and distribution channels for its premium wine.

### **2. Gross profit and gross profit margin**

The Group recorded a gross profit of approximately HK\$9,851,000 with gross profit margin of 48.9% for the year ended 31 March 2024 as compared to the same period of 2023, which recorded a gross profit of HK\$14,516,000 with a gross profit margin of 47.4%.

The increase in margin percentage was due to restructure of digital marketing business segment which largely reduced to the production cost.

### **3. Selling expenses**

The selling expenses from operations decreased from approximately HK\$4,891,000 for the year ended 31 March 2023 to approximately HK\$1,949,000 for the year ended 31 March 2024. The decrease was mainly due to a drop in revenue and restructure of the operation by consolidating digital marketing business segment for the year ended 31 March 2024.

### **4. Administrative expenses**

The Group recorded an aggregate administrative expense from operations of approximately HK\$28,909,000 for the year ended 31 March 2024 (2023: HK\$31,078,000).

The major expenses components for the year ended 31 March 2024 were staff cost of approximately HK\$14,498,000 (2023: HK\$14,138,000), depreciation of right-of-use assets of approximately HK\$342,000 (2023: HK\$2,085,000), audit fee of approximately HK\$1,350,000 (2023: HK\$1,580,000), listing and corporate services fee of approximately HK\$1,190,000 (2023: HK\$1,213,000), advertising and promotion expenses of approximately HK\$738,000 (2023: HK\$1,230,000), and directors' emoluments of approximately HK\$4,204,000 (2023: HK\$6,211,000, which included the equity-settled share-based payment of approximately HK\$2,187,000). The decrease in administrative expenses from operations was mainly due to reduced business activities in digital marketing business segment 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\$254,000 (2023: HK\$1,778,000) has been recognised due to the assessment of the assets' recoverability.

For the year ended 31 March 2024, there is no impairment loss on intangible assets was recognised (2023: HK\$245,000).

During the year ended 31 March 2024, an impairment loss of approximately HK\$560,000 was made for the unpublished comic titles prepaid to suppliers.

Due to the continuous losses incurred by an associate, an impairment loss of approximately HK\$157,000 (2023: HK\$Nil) was made for the year.

## **6. Other expenses**

The other expenses from operations recorded the research cost of approximately HK\$2,423,000 (2023: HK\$5,939,000) for the development of the online platform of digital marketing and natural language processing business. In 2024, legal, consultancy and other professional fees of approximately HK\$5,437,000 (2023: HK\$7,126,000) were paid to lawyers for providing legal services and paid to consultants for providing professional advices on business operations and development. No expense in relation to share options granted to a consultant by the Company had been recognised during the year ended 31 March 2024 (2023: HK\$1,566,000).

## **7. Loss for the year**

The Group recorded a loss from operations of approximately HK\$20,929,000 for the year ended 31 March 2024 (2023: HK\$38,655,000). 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.

Also, as at 31 March 2024, the Group had net assets of approximately HK\$108,679,000 (31 March 2023: HK\$147,400,000) and net asset value per share of HK\$0.07 (31 March 2023: HK\$0.09)

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 31 March 2024, the Group had cash and bank balances with financial institutions in aggregate of approximately HK\$38,228,000, financial assets at fair value through profit or loss of approximately HK\$1,940,000.

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”), Japanese Yen (“JPY”) and HK\$ relative to RMB.

As of 31 March 2024, the Group had a net current asset of approximately HK\$101,411,000 (31 March 2023: HK\$133,475,000) and a current ratio of approximately 6.8 (31 March 2023: 10.0). The Group’s total liabilities as of 31 March 2024 amounted to approximately HK\$17,603,000 (31 March 2023: HK\$15,106,000) and the gearing ratio of the Group represented approximately 15.5% (31 March 2023: 10.9%) 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.

## **DEPOSITS PAID FOR INTANGIBLE ASSETS**

As mentioned in Note 16, the Group had deposits paid for the natural language processing technology development and production of software and chipset, approximately HK\$33,269,000 in total for the year ended 31 March 2024. Such intangible assets are for the design and implementation in both software and embedded chipset domains and to produce kinds of offline Chinese language voice recognition chips that can be broadly applied to various electronic devices or application environments.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As of 31 March 2024, the Group had a total of 47 employees of which 31 are based in Hong Kong and 16 in the PRC. Total staff costs from operations amounted to approximately HK\$21,061,000 (31 March 2023: HK\$24,238,000, excluding share-based payments of HK\$2,187,000) and a provision of staff termination payable to a staff approximately HK\$1,560,000 (31 March 2023: HK\$Nil) for the year ended 31 March 2024 respectively. 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 THE SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

Reference is made to (i) the announcements 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.

## **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, 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022, 27 June 2022, 29 September 2022, 25 November 2022, 30 January 2023, 28 April 2023, 31 July 2023, 28 September 2023, 30 November 2023, 31 January 2024, 28 March 2024 and 31 May 2024, respectively.

### **PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

Reference is made to the announcements issued by the Company on 12 June 2023, 30 June 2023 and 24 July 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 was terminated on 24 July 2023.

### **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 structure simplification.

During the year ended 31 March 2024, 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 and this disposal was completed.

On 4 April 2023, the Group entered into an agreement with an independent third party to dispose 7% equity interests of 飛龍芯類腦智能科技(珠海)有限公司 (“飛龍芯”) with no consideration. Accordingly, the Group’s effective interests in 飛龍芯 has been reduced from 100% to 93%. The carrying amount of the partial interests in 飛龍芯 disposed by the Group of approximately HK\$687,000 was credited to equity as non-controlling interests during the year ended 31 March 2024. The disposal was completed and the Group transferred respective equity interests of 飛龍芯 to an independent third party.

On 15 June 2023, the Group announced that the shareholders of Beijing 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”), 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 voluntary liquidation of Eqmen was completed in March 2024 and the voluntary liquidation of Beijing Star Engine has not been completed as of the reporting date.

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 2024, the Group did not have any significant capital commitment and contingent liabilities (31 March 2023: nil).

## **BUSINESS REVIEW**

The overall economy needs time to recover after the Covid-19 pandemic, the Group continued to face a rather challenging year. While business seems picking up gradually in the People’s Republic of China (the “PRC”), consumer spending pattern is changing and overall business activities are still weak needing further stimulus to maintain a steady growth trend. Against such acute business and economic environment, the Group’s focus on conserving resources, restructuring operations, and taking actions to control and reduce costs and expenses, helped the Group to preserve its resources. During the year ended 31 March 2024, total revenue has decreased 34.1% from HK\$30,600,000 in 2023 to HK\$20,158,000 in 2024.



## **Digital Marketing**

In streamlining its operations, the remaining operating subsidiary of digital market in Beijing is Beijing Skyvior Technology Co. Ltd. (“Beijing Skyvior”), this is after the operations of Hyperchannel Info Tech., Ltd. (“Hyperchannel Info”), which engaged in digital marketing, applying big data analysis in matching intellectual properties (“IPs”) to assist customers in marketing products and services, were consolidated with Beijing Skyvior in last year. Also, our 80.1% subsidiary of Beijing Star Engine Information Technology Co. Ltd. (“Beijing Star Engine”), which was engaged in providing technical support and services of our digital marketing team to our customers, has commenced the process of voluntarily winding up.

During the year, the digital marketing segment is at a cross-road, with Beijing Eqmen Technology Limited (“Eqmen”), an indirectly non-wholly owned subsidiary, at its final stage of voluntary winding-up, the remaining operation of the digital marketing segment in Beijing and Guangzhou, is downsized significantly and total number of employees is reduced from 9 to 3. 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. In scaling back the digital marketing operation, 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 increase. Revenue from this segment, were HK\$15,104,000 in 2024 and HK\$11,983,000 in 2023. The Company is putting more effort on publication book sales of IPs’ owned or under licenses, and to broaden the scope of licensing business. Other than IPs licensing, the Group is continuously planning to expand including publishing and distribution of certain comic title in future.

## **Retailing 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\$2,457,000, as compared to HK\$3,289,000 in last year. The Group expects the sale of premium wine should revive gradually due to recovery of the economy. The Group also put focus on selling the wine in large lots to generate positive cash flow and reducing inventory.

## Natural Language Processing

The prolonged Covid-19 pandemic had caused adverse effect on business and slowed down or delayed new business development. The Board strives hard to maximize 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. The Group has in the past been investing in the research and development of artificial intelligence for Chinese language recognition. Since last fiscal year-end, the Group, with its aspirations on artificial intelligence technology and previous research and development, invested in 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.

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 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.

The Group has been concentrating on improving AI speech technology during the current fiscal year. The focus of is on developing and improving software on facilitating real-time interaction with humans. During the year ended 31 March 2024, the net operational expenditure amounted to approximately HK\$2,873,000. This was primarily due to costs associated with personnel and business promotion. Headcount employed for this business segment now stands at 13 and the Group will continue to hire professionals in building a technical and business development team. The Group is committed to the design and implementation in both the software and embedded chipset sectors.

## PROSPECT

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 unutilized 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.

On 12 June 2023, the Company announced the placement of convertible bonds to raise cash of HK\$98,500,000, net of which about HK\$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 HK\$19,700,000 will be utilized for working capital for the revitalization and promotion of the Group’s intellectual properties; and the remaining HK\$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. Due to the overall weak market sentiment and the inadequate liquidity in the market, the placement of convertible bonds has been suspended in July this year; the Group continues to put effort in new financing to provide more working capital for the Group, in particular in investing in the Chinese language AI software development.

We are seeing 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. In total, the manpower as of 31 March 2024 is 47 as compared to 52 at 31 March 2023.

The AI voice real-time human-computer interaction technology developed by the Group in cooperation with its strategic partners iFlytek and IBT has entered the stage of product application. Among them, the first-generation Feilong Master (飛龍大師) human-computer interaction mobile phone has entered the stage of final testing and will be launched on the market soon.

Feilong Code (飛龍碼), the Chinese AI Computer Code independently developed by the Group, strategically solves the security, autonomy and independence issues of the underlying technology of an AI operating system and is fully adaptable to various operating systems (X86, Linux, Android, HarmonyOS) and 73 chips of mainstream chip architectures (ARM, RISC-V, etc.), marking the maturity of the Chinese technology industrialization of “Feilong Code”. At present, it has successively integrated with major AI manufacturers and launched new products equipped with Harmony Brain AI operating system to the market, helping Chinese companies open up a larger blue ocean market. With the widespread application of AI, the Group believes that this business will bring greater benefits.

The recent short plays and movies adapted from Hong Kong comics have driven an upsurge in Hong Kong cultural sentiments, and the domestic demand for Hong Kong comic IPs has increased. In addition to maintaining the traditional comic publishing licensing business, the Group is working with some partners to further activate the Group’s IPs, it will contribute significant revenue to the Company.

## **CLOSURE OF REGISTERS OF MEMBERS**

The Principal Register of Members and the branch Registers of Members will be closed from 15 August 2024 to 20 August 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2024 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. 14 August 2024.

## **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 2024.

## **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 C1 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 two Independent Non-executive Directors (“INEDs”) and one Non-executive Director, namely Mr. Wong Kwan Kit, Mr. Mung Yat Lik and Mr. Wong Kon Man Jason respectively. 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 2024.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

For the period from 1 April 2023 to 31 March 2024, the Company has adopted the code provisions set out in the Corporate Governance Code (the “Corporate Government Code”) set out in the Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practice. During the year, the Company has been in compliance with all code provisions set out in the Corporate Governance Code except the following deviation:

### **Code Provision B.2.2**

Under the code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The current INED 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.

## **MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

Following the resignation of Mr. Fan Chun Wah Andrew on 6 May 2024, the Company had two INEDs, the number of which fell below the minimum number required under Rules 3.10 (1) of the Listing Rules.

The Board is in the process of identifying suitable candidate to fill the vacancy of an independent non-executive Director and will use its best endeavours to ensure that suitable candidate will be appointed as soon as practicable and in any event, within the three-month period from the date of resignation of Mr. Fan pursuant to Rule 3.11 of the Listing Rules.

## **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 (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 March 2024.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.culturecom.com.hk](http://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 2024

*As at the date hereof, the Board comprises of Mr. Kwan Kin Chung (being Executive Director); Mr. Wong Kon Man Jason (being Chairman and Non-executive Director) and Dr. Liu Ka Ying Rebecca (being Vice Chairman and Non-executive Director); and Mr. Wong Kwan Kit and Mr. Mung Yat Lik (all being Independent Non-executive Directors).*

\* *For identification purpose only*