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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 2018

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 2018 together with the comparative figures for the corresponding year of 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Revenue	3	34,910	24,026
Cost of sales		<u>(53,547)</u>	<u>(8,869)</u>
Gross (loss) profit		(18,637)	15,157
Other income	4a	424	699
Other gains and losses, net	4b	1,648	(23,415)
Other operating expenses		(19,374)	(40,756)
Salaries and allowances		(10,157)	(18,124)
Operating lease rentals in respect of rented premises		(7,698)	(7,507)
Depreciation expenses		(1,744)	(1,340)
Share of losses of associates		(333)	(1,455)
Gain on contribution to an associate		1,476	—
Gain on disposal of an associate		—	29,884
Cost incurred for online platform maintenance	6	—	(2,978)
Impairment loss on film right and film production in progress	11	<u>(3,383)</u>	<u>—</u>
Loss before tax	7	(57,778)	(49,835)
Income tax expense	8	<u>(18)</u>	<u>(1,202)</u>
Loss for the year		<u>(57,796)</u>	<u>(51,037)</u>

	<i>NOTE</i>	2018 HK\$'000	2017 HK\$'000
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		316	602
Reclassification of exchange loss on disposal of a foreign operation		<u>854</u>	<u>—</u>
Other comprehensive income for the year		<u>1,170</u>	<u>602</u>
Total comprehensive expense for the year		<u>(56,626)</u>	<u>(50,435)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(58,042)	(48,753)
Non-controlling interests		<u>246</u>	<u>(2,284)</u>
		<u>(57,796)</u>	<u>(51,037)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(56,313)	(48,344)
Non-controlling interests		<u>(313)</u>	<u>(2,091)</u>
		<u>(56,626)</u>	<u>(50,435)</u>
Loss per share	10		
Basic (HK cents)		<u>(4.2)</u>	<u>(3.7)</u>
Diluted (HK cents)		<u>(4.2)</u>	<u>(3.7)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	NOTES	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		805	2,029
Interest in an associate		1,143	—
Intangible assets		1,385	1,385
Film right and film production in progress	11	1,620	31,600
Deposits and prepayments	13	555	3,796
		<u>5,508</u>	<u>38,810</u>
Current assets			
Inventories		38,548	57,541
Trade receivables	12	23,167	3,125
Other receivables, deposits and prepayments	13	7,821	5,769
Tax recoverable		871	—
Held for trading investments		7,080	6,640
Bank balances and cash		238,393	263,532
		<u>315,880</u>	<u>336,607</u>
Current liabilities			
Trade payables	14	437	318
Other payables and accrued charges		9,571	10,644
Tax payable		—	435
		<u>10,008</u>	<u>11,397</u>
Net current assets		<u>305,872</u>	<u>325,210</u>
Total assets less current liabilities		311,380	364,020
Non-current liability			
Deferred tax liability		698	712
Net assets		<u>310,682</u>	<u>363,308</u>
Capital and reserves			
Share capital		13,907	13,907
Share premium and reserves		302,234	354,816
Equity attributable to owners of the Company		316,141	368,723
Non-controlling interests		(5,459)	(5,415)
Total equity		<u>310,682</u>	<u>363,308</u>

1. BASIS OF PREPARATION

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

Revenue represents the net amount received and receivable for goods sold and services provided by the Group, after returns and trade discounts, and is analysed as follows:

	2018 <i>HK\$’000</i>	2017 <i>HK\$’000</i>
Publishing and intellectual properties licensing	8,367	10,060
Online and social business (<i>Note</i>)	3,147	10,416
Retailing and wholesales	20,378	1,076
Catering	3,018	2,474
	<u>34,910</u>	<u>24,026</u>

Note: During the year ended 31 March 2017, the Group recognised revenue from sales of bitcoins, considered as virtual inventories by the Directors, of HK\$8,127,000 (2018: Nil). No bitcoins was held by the Group as at 31 March 2018 and 2017.

4a. OTHER INCOME

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest income	89	153
Sundry income	335	546
	<u>424</u>	<u>699</u>

4b. OTHER GAINS AND LOSSES, NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Net foreign exchange gain (loss)	2,247	(1,355)
Reversal of impairment loss on deposits (<i>Note</i>)	1,021	—
Gain on fair value change of held for trading investments	428	336
Loss on disposal of subsidiaries (<i>Note 15</i>)	(848)	(9,464)
Loss on written off of property, plant and equipment	(779)	—
Allowance for doubtful debts	(421)	(57)
Impairment losses on other receivables and deposits (<i>Note</i>)	—	(8,406)
Impairment loss on property, plant and equipment	—	(4,469)
	<u>1,648</u>	<u>(23,415)</u>

Note: During the year ended 31 March 2017, impairment losses of HK\$8,406,000 (2018: Nil) on other receivables and deposits had been recognised in profit or loss. The amounts either have not been settled in accordance with the repayment terms or there was default in payments from debtor. The Directors determined that the recoverability of these receivables was remote and hence full impairment loss had been recognised.

During the year ended 31 March 2018, reversal of impairment loss of HK\$1,021,000 (2017: Nil) on deposits was recognised in profit or loss upon recovery of the amount.

5. SEGMENT INFORMATION

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

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

- Publishing and intellectual properties licensing: publication of comic books and royalty income from licensing intellectual properties of comic books.
- Online and social business: operating online social platform by providing music and online games, sales of virtual inventories, design and development of mobile applications and operation of digital cinema and film production.
- Retailing and wholesales: retailing of wine and mobile phones in Hong Kong and Macau.
- Catering: catering services in Macau.

All transactions between different operating segments are charged at prevailing market rates.

Segment revenue and results

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

For the year ended 31 March 2018

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>8,367</u>	<u>3,147</u>	<u>20,378</u>	<u>3,018</u>	<u>34,910</u>
Segment results	<u>1,822</u>	<u>(46,819)</u>	<u>414</u>	<u>(2,944)</u>	(47,527)
Unallocated expenses					(14,130)
Unallocated incomes					<u>3,879</u>
Loss before tax					<u>(57,778)</u>

For the year ended 31 March 2017

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	10,060	10,416	1,076	2,474	—	24,026
Inter-segment sales	<u>—</u>	<u>—</u>	<u>14</u>	<u>—</u>	<u>(14)</u>	<u>—</u>
	<u>10,060</u>	<u>10,416</u>	<u>1,090</u>	<u>2,474</u>	<u>(14)</u>	<u>24,026</u>
Segment results	<u>6,476</u>	<u>(33,477)</u>	<u>(5,774)</u>	<u>(2,121)</u>	<u>—</u>	(34,896)
Unallocated expenses						(45,261)
Unallocated incomes						<u>30,322</u>
Loss before tax						<u>(49,835)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the loss before tax incurred by each segment without the allocation of incomes or expenses resulted from gain on disposal of an associate, gain on contribution to an associate, loss on disposal of subsidiaries, gain on fair value change of held for trading investments, share of losses of associates 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 2018

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts regularly provided to the CODM:						
Addition to non-current assets (<i>Note</i>)	55	726	—	475	61	1,317
Amounts included in the measure of segment profit or loss:						
Depreciation of property, plant and equipment	132	762	23	697	130	1,744
Reversal of impairment losses on deposits	—	(1,021)	—	—	—	(1,021)
Impairment losses on film right and film production	—	3,383	—	—	—	3,383
Other advertising and promotional expenses	60	—	—	—	5	65
Consultancy and professional fees	377	94	109	—	2,034	2,614

For the year ended 31 March 2017

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts regularly provided to the CODM:						
Addition to non-current assets (<i>Note</i>)	—	34,510	4	23	19	34,556
Amounts included in the measure of segment profit or loss:						
Depreciation of property, plant and equipment	136	1,043	265	51	260	1,755
Impairment losses on other receivables	—	7,571	—	—	835	8,406
Impairment loss on property, plant and equipment	—	4,469	—	—	—	4,469
Cost incurred for online platform maintenance	—	2,978	—	—	—	2,978
Other advertising and promotional expenses	—	5,193	5	—	—	5,198
Consultancy and professional fees	15	2,192	788	146	11,761	14,902

Note: Non-current assets excluded interest in an associate.

Geographic information

The Group's operations are located in the People's Republic of China ("PRC"), including Hong Kong and Macau.

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

	Revenue from external customers		Non-current assets	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong (place of domicile)	29,123	18,204	5,309	38,716
The PRC	2,769	2,287	6	3
Macau	3,018	3,535	193	91
	<u>34,910</u>	<u>24,026</u>	<u>5,508</u>	<u>38,810</u>

Information about major customers

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A ¹	10,157	N/A ³
Customer B ¹	10,145	N/A ³
Customer C ²	3,581	3,753
	<u>10,157</u>	<u>3,753</u>

¹ Revenue from retailing and wholesales segment.

² Revenue from publishing and intellectual properties licensing segment.

³ No revenue is recognised in profit or loss for the corresponding year.

Revenue from major products and services

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Comic books	4,556	3,855
Premium wine	20,378	—
Royalty income	3,811	6,205
Digital cinema operation	2,769	2,289
Catering service	3,018	2,474
Bitcoins	—	8,127
Others	378	1,076
	<u>34,910</u>	<u>24,026</u>

6. COST INCURRED FOR ONLINE PLATFORM MAINTENANCE

During the year ended 31 March 2017, expenditures incurred mainly include platform improvement and maintenance in relation to game applications developed by the Group amounting to approximately HK\$2,978,000 (2018: Nil) in aggregate are expensed when they are incurred for maintaining the operation of the platform.

7. LOSS BEFORE TAX

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	3,669	6,202
Other staff costs:		
— Retirement benefit scheme contributions	288	371
— Salaries and other benefits	9,869	17,753
	<u>13,826</u>	<u>24,326</u>
Auditor's remuneration		
— Audit services	1,850	1,820
— Non-audit services	461	554
Amortisation of film right (included in cost of sales) (<i>Note 11</i>)	29,405	—
Depreciation of property, plant and equipment included in cost of inventories	—	415
Consultancy and professional fees (included in other operating expenses) (<i>Note</i>)	2,614	14,902
Cost of inventories recognised as expenses (including allowance for inventories of HK\$397,000 (2017: Nil))	<u>24,142</u>	<u>8,869</u>

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

8. 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% (2017: 16.5%) on the estimated assessable profits for both years. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax		
— Hong Kong Profits Tax	—	(798)
Underprovision in prior years		
— Hong Kong	(32)	(476)
Deferred tax		
— Deferred tax credit	<u>14</u>	<u>72</u>
	<u>(18)</u>	<u>(1,202)</u>

On 21 March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime will be applicable to the Company for its annual reporting periods ending on or after 1 April 2018.

The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of reporting period (2017: Nil).

10. 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(58,042)</u>	<u>(48,753)</u>
	2018 <i>'000</i>	2017 <i>'000</i>
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>1,390,657</u>	<u>1,301,628</u>

The denominators used are the same as those detailed above for basic and diluted loss per share.

The computation of diluted loss per share does not assume the exercise of the Company’s outstanding warrants and share options since their assumed exercise would result in a decrease in loss per share.

11. FILM RIGHT AND FILM PRODUCTION IN PROGRESS

Film production in progress of Nil (2017: HK\$1,736,000) represented film right in production which are wholly owned by the Group. Due to unsatisfactory quality of the film and no concrete plan for film distribution or other licensing arrangement, the Directors have fully written off the film production in progress. During the year ended 31 March 2018, an impairment loss of HK\$1,736,000 has been recognised in the profit or loss.

Film right of HK\$1,620,000 (2017: HK\$29,864,000) represented interest in film right jointly controlled by the Group and by an independent third party in the PRC. During the current year, the Group recognised amortisation of HK\$29,405,000 (2017: Nil) on the completion of film's theatrical release in the PRC (included in cost of sales). Due to unsatisfactory result of its box office and the uncertain future return of the film, the Directors conducted a review on the recoverable amounts of the film right. The recoverable amounts of the film right as at 31 March 2018 have been determined on the basis of their value in use which was determined based on the present value of the estimated future cash flows expected to be generated by the film right. During the year ended 31 March 2018, an impairment loss of HK\$1,647,000 (2017: Nil) has been recognised in the profit or loss.

12. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	24,216	3,753
Less: allowance for doubtful debts	<u>(1,049)</u>	<u>(628)</u>
	<u>23,167</u>	<u>3,125</u>

The Group allows the general credit period ranging from 0 to 90 days to customers of publishing and intellectual properties licensing and retailing and wholesales segments.

The following is the aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 — 60 days	22,203	1,588
61 — 90 days	224	318
91 — 180 days	670	752
Over 180 days	<u>70</u>	<u>467</u>
	<u>23,167</u>	<u>3,125</u>

Trade receivables are interest-free and unsecured.

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other receivables (net of allowance for doubtful debt)	5,583	4,275
Deposits and prepayments	2,793	5,290
Total other receivables, deposits and prepayments	8,376	9,565
Less: Amounts that will be settled or utilised within one year	(7,821)	(5,769)
Amount that will be utilised for more than one year	555	3,796

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 — 60 days	406	287
61 — 90 days	—	—
Over 90 days	31	31
	437	318

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. DISPOSAL OF SUBSIDIARIES

Disposal of Success Dynasty Limited (“Success Dynasty”) and its subsidiary

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

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

HK\$’000

Consideration receivable:

Other receivable (included in other receivables)	1,950
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Analysis of assets over which control was lost:

Property, plant and equipment	39
Bank balances and cash	1,905

Net assets disposed of	1,944
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Loss on disposal of subsidiaries:

Consideration receivable	1,950
Net assets disposed of	(1,944)
Reclassification of exchange loss on disposal	(854)

Loss on disposal	(848)
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Net cash outflow arising on disposal:

Bank balances and cash disposed of	(1,905)
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The Success Group contributed loss of HK\$737,000 (2017: HK\$2,689,000) to the Group during the year ended 31 March 2018. No tax charge or credit arose on loss on the disposal.

Disposal of Culturecom Technology Limited (“Culturecom Technology”) and its subsidiaries

On 30 December 2016, the Group entered into an agreement to dispose of its subsidiary, Culturecom Technology, and its subsidiaries (collectively referred to as the “Culturecom Technology Group”) to an independent third party, for a cash consideration of HK\$4,000,000. Culturecom Technology’s principal activity was investment holding while its subsidiaries were engaged in development of online

social music gaming platform, retailing or wholesales, or were dormant. These disposed subsidiaries do not represent a separate major line of business as the Group continues to engage in these businesses after the disposal. The transaction was completed on 30 December 2016, the date which the control of Culturecom Technology Group has been passed to the independent third party.

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

HK\$'000

Consideration received:

Cash	<u><u>4,000</u></u>
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HK\$'000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	335
Inventories	1,404
Trade receivables	22
Other receivables, deposit and prepayments	4,999
Bank balances and cash	3,563
Other payables and accrued charges	(6,423)
Tax payable	<u>(1,591)</u>
	2,309
Non-controlling interest	<u>11,155</u>
Net assets disposed of	<u><u>13,464</u></u>

Loss on disposal of subsidiaries:

Consideration received	4,000
Net assets disposed of	<u>(13,464)</u>
Loss on disposal	<u><u>(9,464)</u></u>

Net cash inflow arising on disposal:

Cash received	4,000
Less: Bank balances and cash disposed of	<u>(3,563)</u>
	<u><u>437</u></u>

The Culturecom Technology Group contributed revenue of HK\$1,076,000 to the Group during the year ended 31 March 2017. No tax charge or credit arose on loss on the disposal.

16. EVENT AFTER THE REPORTING PERIOD

On 28 March 2018, Culturecom (Hong Kong) Limited, a wholly-owned subsidiary of the Group, has entered into a capital increase agreement (the “Agreement”) with a target company (the “Target Company”) and its existing equity holders to increase the registered capital and capital reserves of the Target Company. The Target Company is principally engaged in the digitalisation and commercialisation of intellectual properties, content creation and digital marketing.

Pursuant to the Agreement, Culturecom (Hong Kong) Limited has agreed to inject a total of RMB40,000,000 (equivalent to approximately HK\$50,000,000) in cash in the Target Company.

Capital injection shall be completed within seven business days immediately following the fulfillment of certain conditions set out in the Agreement. Details of these conditions were set out in the announcement of the Company dated 28 March 2018.

Upon completion, the equity interests in the Target Company will be owned 55% by Culturecom (Hong Kong) Limited and 45% by the existing equity holders. As such, the Target Company will become a non-wholly owned subsidiary of the Group. Up to the date of this announcement, the transaction is not completed.

DIVIDEND

No dividend was paid or proposed during the year of 2018 and 2017, 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 in 2018 increased by 19.1% to HK\$58,042,000 or 13.5% to HK4.2 cents per share (31 March 2017: loss of HK\$48,753,000 or HK3.7 cents per share).

The analysis of consolidated statement of profit and loss and other comprehensive income for year ended 31 March 2018 is as follows:

Revenue

For the year ended 31 March 2018, the Group's overall turnover increased by approximately 45.3% to HK\$34,910,000 of which approximately HK\$8,367,000, HK\$3,147,000, HK\$20,378,000 and HK\$3,018,000 (31 March 2017: HK\$10,060,000, HK\$10,416,000, HK\$1,076,000 and HK\$2,474,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, retailing and wholesales and catering respectively.

The Group has recorded a decrease in turnover for the business of publishing and intellectual properties licensing, representing a decline of approximately 16.8%. This decline was mainly market driven and expected to be temporary.

For the year ended 31 March 2018, the turnover of the online and social business segment has decreased by 69.8% to HK\$3,147,000 compared to the year of 2017. The significant drop was mainly due to the recognition of one-off sales of bitcoins of HK\$8,127,000 during the year ended 31 March 2017. The Group holds nil balance of bitcoins as of 31 March 2017 and 31 March 2018.

The turnover of retailing and wholesales segment represents the sales of premium wine of HK\$20,378,000 during the year ended 31 March 2018 and sale of other products of HK\$1,076,000 during year ended 31 March 2017.

For the year ended 31 March 2018, the catering services in Macau reported an increase in revenue of 22.0% to HK\$3,018,000 as compared to the year of 2017 due to improvement of market conditions in general.

Gross profit and gross profit margins

The Group recorded a gross loss of approximately HK\$18,637,000 for the year ended 31 March 2018. The gross loss was due to the poor box office performance of “On the Pitch” and the one-off amortisation of film right of “On the Pitch” of HK\$29,405,000 on the completion of the film’s theatrical release in the PRC during the year. This amortisation of film right is non-recurring in nature. Otherwise, if excluding the results related to this film right, the adjusted gross profit margin is 30.1% (2017: 63.1%). The drop in gross profit margin is due to sales of premium wines in general which has a lower margin than other business activities.

Loss before tax

The Group recorded a loss before tax of approximately HK\$57,778,000 during the year ended 31 March 2018 (2017: HK\$49,835,000). The loss included the one-off amortisation of film right of HK\$29,405,000 as stated above, and the further provision on impairment loss on film right and film production in progress of HK\$3,383,000. These losses are non-recurring in nature. The Group will be cautious on investing in any new film or TV series production as the outcome of such investments are very uncertain. The Group has been successful in controlling costs and cutting off non-profitable operations. The Group is confident that with continuous control and reduction of costs, and investment in our core intellectual properties (“IPs”) related business, the Group will return to profitability.

Also, as at 31 March 2018, the Group has net asset of approximately HK\$310,682,000. Net asset value per share (weighted average) of HK\$0.22 (2017: HK\$0.28).

SHARE WARRANTS

2017 Warrants

On 20 July 2012, the Company entered into a warrant subscription agreement for the private placement to more than six investors, a total of 76,790,000 warrants (the “2017 Warrants”) at HK\$0.10 per warrant. The net proceeds from the warrant subscription of approximately HK\$7,492,000 were used as the general working capital of the Group.

Each of the non-listed warrant entitles the holder the right to subscribe for one new share at the warrant subscription price of HK\$1.20 (subject to adjustment) at any time during a period of five (5) years commencing from the date of issue of warrants.

During the year ended 31 March 2018, no registered holders of the 2017 Warrants exercised their rights to subscribe for new shares in the Company. As of 31 March 2018, the remaining 44,710,000 units of 2017 Warrants expired and the Company had no outstanding 2017 Warrants.

DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2018, the Group implemented measures to streamline its operations.

On 20 April 2017, the Group entered into an agreement to dispose of the 5% equity interest of its wholly owned subsidiary, SNIIC Holdings Limited and its subsidiaries, to an independent third party, a strategic partner, for a cash consideration of HK\$2,800,000. The Group maintains a 95% equity interest in this subsidiary after the sale of a 5% equity interest.

On 5 May 2017, the Group entered into an agreement to dispose of the 20% equity interest of its subsidiary, 廣州東一動漫影視製作有限公司 to an independent third party, for a cash consideration of HK\$1,200,000. The Group maintains a 55% equity interest in this subsidiary.

On 18 September 2017, the Group entered into an agreement to dispose the entire shareholding of its wholly owned subsidiary, Success Dynasty Limited and its subsidiary to an independent third party, for a cash consideration of US\$250,000 (equivalent to approximately HK\$1,950,000).

ACQUISITION OF A SUBSIDIARY

On 28 March 2018, Culturecom (Hong Kong) Limited, a wholly-owned indirect subsidiary of the Group has entered into a capital increase agreement (the “Agreement”) with 北京易奇門科技有限公司 (“EQmen”) and its existing equity holders to increase the registered capital and capital reserves of EQmen. EQmen is principally engaged in the digitalisation and commercialisation of IPs, content creation and digital marketing. Upon completion, the equity interest in EQmen will be owned 55% by Culturecom (Hong Kong) Limited and 45% by the existing equity holders. This transaction is not completed as of 22 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 March 2018, the Group had bank balances and deposits with financial institutions in aggregate of approximately HK\$238,393,000 and held for trading investments of approximately HK\$7,080,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2018, the Group had net current assets of approximately HK\$305,872,000 (2017: HK\$325,210,000). The Group’s total liabilities as of 31 March 2018 amounted to approximately HK\$10,706,000 (2017: HK\$12,109,000) and represented approximately 3.4% (2017: 3.3%) to equity attributable to owners of the Company.

The Group has sufficient cash reserves to continue to invest in IPs and related business. The objective is to take a controlling stake in companies with proven track records, profitability and sustainable operations.

EMPLOYMENT AND REMUNERATION POLICIES

As of 31 March 2018, the Group had a total of 57 employees of which 28 are based in Hong Kong, 12 in Macau and 17 in the PRC. Total staff costs incurred during the year ended 31 March 2018 amounted to approximately HK\$13,826,000 (2017: HK\$24,326,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

BUSINESS REVIEW

During the year, the Group has been focusing on streamlining operations and business segments, controlling costs and embarking on investment in our core IPs related business.

The significant loss of the current year was mainly due to the amortisation and impairment loss of film right and film production costs, which totaled HK\$32,788,000, or 56.7% of the loss for the year, which is non-recurring in nature in terms of impact on the financial statements. The Group will be cautious on investing in any new film or TV series productions as outcome of such investments are generally very uncertain.

In March this year, the Group entered into an agreement to take a controlling stake of 55% in EQmen, engaging in the digitalisation and commercialisation of IPs, content creation and digital marketing. The investment amount is RMB40,000,000 (or about HK\$50,000,000) for new shares of the company. The company has a proven track record, profitable and its business has a high barrier to entry because of its high technical standard.

Publishing and IP Licensing Business

The decrease in revenue from HK\$10,060,000 to HK\$8,367,000 was mainly due to lower IP licensing income in 2018 comparing to 2017, while revenue from publishing of comic books increased from HK\$3,855,000 in 2017 to HK\$4,566,000 in 2018.

With the investment in EQmen, the Group is considering the digitalisation of its IPs, mainly comic characters. This will allow the Group to broaden the scope of licensing business and customer base to encompass the use of digital images. Also, EQmen has access to our IPs to expand their business of digital marketing and content creation.

Online and Social Business

Presently, the Group is scaling down its online and social business to reduce losses. The Group attempted in the past in using its comic characters to produce mobile games. The Group was very much a passive participant as the Group lacked the technical capability of transforming its comic

characters into digital images. Out-sourcing of digitalisation had proved to be unreliable and costly. With the acquisition of the EQmen, the Group intends to utilise their digitalisation to launch our online and mobile games.

Retail and Wholesale Business

The Group is keen on maintaining and expanding the sales and distribution of premium wine. The Group has built a good relationship with a network of vineyards in France. Our wine inventory is entering into its best drinking years. We expect the volume to pick up as the market condition improves.

Catering Business

The Group is scaling down its catering and services business. This will allow the Group to focus on its core business and to reduce losses.

PROSPECT

The Group strives to control cost, scale down loss-making business, diversify IP's income source with an aim to achieve a turnaround to profitability in the coming financial year. With the focus on utilising our IPs in either direct licensing or using it in marketing of products or events, the Group aims to achieve stable and significant growth in revenue and profits. With digitalisation of our IPs, the Group will be able to expand its scope of business in licensing and online and mobile games. The Group will continue to invest in IPs related business. The Group will take a controlling stake in its future investments in IPs related business, which must have a proven track record, profitability and sustainable operations.

CLOSURE OF REGISTERS OF MEMBERS

The Principal Register of Members and the branch Registers of Members will be closed from 15 August 2018 to 22 August 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2018 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. 14 August 2018.

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 2018.

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 two Independent Non-executive Directors, namely Mr. Lai Qiang and Mr. Fan Chun Wah Andrew. Following the retirement of Mr. Joseph Lee Chennault on 22 August 2017, the Company comprises of two Audit Committee members, the number of which fell below the minimum number required under rules 3.21 of the Listing Rules. The Board will commence a process to identify replacement so as to fulfill the requirement, as set out in rules 3.21 of the Listing Rules, and in the respective terms of reference of Audit Committee of the Board as regards to the minimum of members. 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 the audited financial statements for the year ended 31 March 2018.

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 2018 except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, Non-Executive Directors should be appointed for a specific term, subject to re-election. The current independent Non-Executive Directors of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-Executive) of the Company are subject to retirement by rotation at the Annual General Meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

Code Provision E.1.2

Under the code provision E.1.2, the Chairman of the Board should attend the annual general meeting. The position of the Chairman of the Board was not filled before the Company’s annual general meeting held on 22 August 2017. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

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

MINIMUM NUMBERS OF AUDIT COMMITTEE MEMBERS

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

The Board will commence a process to identify replacement so as to fulfill the requirements as set out in rules 3.21 of the Listing rules, and in the respective terms of reference of the Audit Committee of the Board as regards the minimum of members. The Company will mark further announcement as and when appropriate.

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 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is available for viewing 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, 22 June 2018

As at the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director), Mr. Kwan Kin Chung, Mr. Yuen Kin and Mr. Tang Kwing Chuen Kenneth (all being Executive Directors); Mr. Fan Chun Wah Andrew, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-Executive Directors).

* *For identification purpose only*