

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 2017

#### 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 2017 together with the comparative figures for the corresponding year of 2016 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3	24,026	27,792
Cost of inventories		(8,869)	(15,948)
Gross Profit		15,157	11,844
Other income	4a	699	764
Other gains and losses	4b	(23,415)	(3,670)
Other operating expenses		(40,756)	(25,590)
Salaries and allowances		(18,124)	(24,219)
Operating lease rentals in respect of rental premises		(7,507)	(9,015)
Depreciation expenses		(1,340)	(2,415)
Share of losses of associates		(1,455)	(1,349)
Gain on disposal of an associate	11	29,884	–
Cost incurred for online platform maintenance	6	(2,978)	(7,553)
Loss before tax	7	(49,835)	(61,203)
Income tax expense	8	(1,202)	(294)
<b>Loss for the year</b>		<b>(51,037)</b>	<b>(61,497)</b>

	<i>Notes</i>	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
<b>Other comprehensive income (expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain (loss) on translation of financial statements of foreign operations		<u>602</u>	<u>(1,594)</u>
Total comprehensive expense for the year		<u><b>(50,435)</b></u>	<u>(63,091)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(48,753)</u>	<u>(58,078)</u>
Non-controlling interests		<u>(2,284)</u>	<u>(3,419)</u>
		<u><b>(51,037)</b></u>	<u>(61,497)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(48,344)</u>	<u>(59,500)</u>
Non-controlling interests		<u>(2,091)</u>	<u>(3,591)</u>
		<u><b>(50,435)</b></u>	<u>(63,091)</u>
<b>Loss per share</b>			
	10		
Basic (HK cents)		<u><b>(3.7)</b></u>	<u>(4.8)</u>
Diluted (HK cents)		<u><b>(3.7)</b></u>	<u>(4.8)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	<i>Notes</i>	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,029</b>	8,946
Interests in associates	11	–	33,828
Intangible assets		<b>1,385</b>	1,385
Film production in progress	12	<b>31,600</b>	–
Deposits and prepayments	14	<b>3,796</b>	1,645
		<hr/> <b>38,810</b>	<hr/> 45,804
<b>Current assets</b>			
Inventories		<b>57,541</b>	61,978
Trade receivables	13	<b>3,125</b>	3,845
Other receivables, deposits and prepayments	14	<b>5,769</b>	16,962
Held for trading investments		<b>6,640</b>	6,304
Bank balances and cash		<b>263,532</b>	130,501
		<hr/> <b>336,607</b>	<hr/> 219,590
<b>Current liabilities</b>			
Trade payables	15	<b>318</b>	242
Other payables and accrued charges		<b>10,644</b>	18,149
Tax payable		<b>435</b>	363
		<hr/> <b>11,397</b>	<hr/> 18,754
<b>Net current assets</b>		<hr/> <b>325,210</b>	<hr/> 200,836
<b>Total assets less current liabilities</b>		<b>364,020</b>	246,640
<b>Non-current liability</b>			
Deferred tax liability		<b>712</b>	784
<b>Net assets</b>		<hr/> <b>363,308</b>	<hr/> 245,856
<b>Capital and reserves</b>			
Share capital		<b>13,907</b>	12,142
Share premium and reserves		<b>354,816</b>	254,278
Equity attributable to owners of the Company		<b>368,723</b>	266,420
Non-controlling interests		<b>(5,415)</b>	(20,564)
<b>Total equity</b>		<hr/> <b>363,308</b>	<hr/> 245,856

## 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 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, as explained in the accounting policies set out below. 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 HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle

Except as described below, 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.

### Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering of the notes.

The ordering of certain notes in the consolidated financial statements have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group 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, trade discounts and allowances, and is analysed as follows:

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Publishing and intellectual properties licensing	<b>10,060</b>	16,140
Online and social business ( <i>Note</i> )	<b>10,416</b>	6,725
Retailing and wholesales	<b>1,076</b>	1,976
Catering	<b>2,474</b>	2,951
	<b>24,026</b>	27,792

*Note:* During the year ended 31 March 2017, the Group recognised revenue from sales of bitcoins, considered as virtual inventories by the directors of the Company, of HK\$8,127,000 (2016: Nil). Nil balance of bitcoins was held by the Group as at 31 March 2017 (2016: HK\$2,669,000).

### 4a. OTHER INCOME

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest income	<b>153</b>	190
Sundry income	<b>546</b>	574
	<b>699</b>	764

#### 4b. OTHER GAINS AND LOSSES

	2017 HK\$'000	2016 HK\$'000
Loss on disposal of subsidiaries ( <i>Note 16</i> )	(9,464)	(2,348)
Impairment losses on other receivables and deposits ( <i>Note</i> )	(8,406)	(4,932)
Impairment loss on plant, property and equipment	(4,469)	–
Net foreign exchange loss	(1,355)	(606)
Allowance for doubtful debts	(57)	(26)
Gain (loss) on fair value change of held for trading investments	336	(44)
Impairment loss on loans to an associate	–	(1,190)
Written off of property, plant and equipment	–	(162)
Gain on disposal of held for trading investments	–	24
Gain on disposal of property, plant and equipment	–	5,614
	<u>(23,415)</u>	<u>(3,670)</u>

*Note:* During the year ended 31 March 2017, impairment losses of HK\$8,406,000 (2016: HK\$4,932,000) on other receivables and deposits had been recognised in profit or loss. The amount has not been settled in accordance with the repayment terms. The directors of the Company determined that the recoverability of these receivables was remote and hence full impairment loss had been recognised.

#### 5. 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 chief operating decision maker 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 develop mobile applications and operation of digital cinema. The Group has begun to engage in film production during the year ended 31 March 2017.
- Retailing and wholesales: retailing of wine and mobile phones in Hong Kong and Macau.
- Catering: catering services in Macau.

Except for the new business of film production under online and social business, no other material changes in the composition of the Group's reportable and operating segments for the year ended 31 March 2017.

### 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 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	-	-	14	-	(14)	-
	<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>	<u>(34,896)</u>
Unallocated expenses						(45,261)
Unallocated incomes						<u>30,322</u>
Loss before tax						<u>(49,835)</u>

#### For the year ended 31 March 2016

	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	<u>16,140</u>	<u>6,725</u>	<u>1,976</u>	<u>2,951</u>	<u>27,792</u>
Segment results	<u>13,538</u>	<u>(29,916)</u>	<u>(13,927)</u>	<u>(2,634)</u>	<u>(32,939)</u>
Unallocated expenses					(28,384)
Unallocated incomes					<u>120</u>
Loss before tax					<u>(61,203)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the loss before tax incurred by each segment without the allocation of incomes or expenses resulted from gain on disposal of an associate, loss on disposal of subsidiaries, gain (loss) on fair value change of held for trading investments, share of losses of associates, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As the Group's current assets and total 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 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>
<b>Amounts regularly provided to the CODM:</b>						
Addition to non-current assets ( <i>Note</i> )	–	34,510	4	23	19	34,556
<b>Amounts included in the measure of segment profit or loss:</b>						
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



For the year ended 31 March 2016

	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>
<b>Amounts regularly provided to the CODM:</b>						
Addition to non-current assets ( <i>Note</i> )	–	458	29	2	17	506
<b>Amounts included in the measure of segment profit or loss:</b>						
Depreciation of property, plant and equipment	151	1,977	520	37	437	3,122
Allowance for inventories	69	439	3,957	–	–	4,465
Impairment losses on other receivables	–	248	4,584	–	–	4,832
Impairment loss on loans to an associate	–	1,190	–	–	–	1,190
Written off of property, plant and equipment	–	41	121	–	–	162
Cost incurred for online platform maintenance	–	7,553	–	–	–	7,553
Other advertising and promotional expenses	17	151	2	–	18	188
Consultancy and professional fees	781	3,390	738	92	2,574	7,575

*Note:* Non-current assets excluded interests in associates.

### **Geographic information**

The Group's operations are located in Hong Kong, the PRC 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	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong (place of domicile)	<b>18,204</b>	17,059	<b>38,716</b>	39,873
The PRC	<b>2,287</b>	6,658	<b>3</b>	5,362
Macau	<b>3,535</b>	4,075	<b>91</b>	569
	<u><b>24,026</b></u>	<u>27,792</u>	<u><b>38,810</b></u>	<u>45,804</u>

#### Information about major customers

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A <sup>1</sup>	<u><b>3,753</b></u>	<u>3,740</u>

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

#### Revenue from major products and services

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Comic books	<b>3,855</b>	4,775
Royalty income	<b>6,205</b>	11,340
Digital cinema operation	<b>2,287</b>	6,658
Catering services	<b>2,474</b>	2,951
Bitcoins	<b>8,127</b>	–
Others	<b>1,078</b>	2,068
	<u><b>24,026</b></u>	<u>27,792</u>

#### 6. COST INCURRED FOR ONLINE PLATFORM MAINTENANCE

Expenditures incurred mainly include platform improvement and maintenance in relation to game and mobile applications developed by the Group amounting to approximately HK\$2,978,000 (2016: HK\$7,553,000) in aggregate are expensed when they are incurred for maintaining the operation of the platform.

**7. LOSS BEFORE TAX**

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Staff costs		
Directors' emoluments	<b>6,202</b>	7,098
Other staff costs:		
– Retirement benefit scheme contributions	<b>371</b>	476
– Salaries and other benefits	<b>17,753</b>	23,743
	<b>24,326</b>	31,317
Auditor's remuneration		
– Audit services	<b>1,820</b>	1,700
– Non-audit services	<b>554</b>	430
Depreciation of property, plant and equipment included in cost of inventories	<b>415</b>	707
Consultancy and professional fees (included in other operating expenses) ( <i>Note</i> )	<b>14,902</b>	7,575
Cost of inventories recognised as expenses (including allowance for inventories of Nil (2016: HK\$4,465,000))	<b>8,869</b>	15,948

*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% (2016: 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.

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current tax		
– Hong Kong Profits Tax	<b>(798)</b>	(363)
– PRC EIT	–	(89)
Underprovision in prior years:		
– Hong Kong	<b>(476)</b>	–
Deferred tax		
– Deferred tax credit	<u>72</u>	<u>158</u>
	<u><b>(1,202)</b></u>	<u>(294)</u>

## 9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of reporting period (2016: 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:

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><b>(48,753)</b></u>	<u>(58,078)</u>
	<b>2017</b>	2016
	<b>'000</b>	<b>'000</b>
Weighted average number of shares for the purposes of basic and diluted loss per share	<u><b>1,301,628</b></u>	<u>1,200,792</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. INTERESTS IN ASSOCIATES

	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Cost of investments in associates		
Listed in Hong Kong	–	75,493
Unlisted	<b>160</b>	160
Share of post-acquisition losses	–	(41,665)
	<u>160</u>	<u>33,988</u>
Less: accumulated impairment loss	<u>(160)</u>	<u>(160)</u>
	<u>–</u>	<u>33,828</u>
Fair value of listed investment -		
China Bio Cassava Holdings Limited (“Bio Cassava”)	<u>N/A</u>	<u>89,186</u>

During the year ended 31 March 2016, the directors of the Company re-assessed the basis of impairment losses provided and impairment losses of HK\$29,574,000 (2017: Nil) relating to goodwill was reversed retrospectively by reference to the fair value of the listed investment.

At 31 March 2016, the Group held a 21.14% interest in Bio Cassava and accounted for the investment as an associate. In March 2017, the Group fully disposed the 21.14% equity interest in Bio Cassava by placement through an independent placing agent for a proceed of HK\$62,257,000 (received in March 2017). The transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	<i>HK\$'000</i>
Proceed of disposal	62,257
Less: carrying amount of the 21.14% investment on the date of disposal	<u>(32,373)</u>
Gain recognised	<u>29,884</u>

No profit tax arose as the gain is not taxable under Hong Kong Profits Tax.

## 12. FILM PRODUCTION IN PROGRESS

Film production in progress of HK\$31,600,000 (2016: Nil) represented film rights in production which are either wholly owned by the Group or interest in film rights jointly controlled by the Group and an independent third party in the PRC.

## 13. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	3,753	4,889
Less: allowance for doubtful debts	<u>(628)</u>	<u>(1,044)</u>
	<u><u>3,125</u></u>	<u><u>3,845</u></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.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 - 60 days	1,588	2,326
61 - 90 days	318	107
91 - 180 days	752	1,351
Over 180 days	<u>467</u>	<u>61</u>
	<u><u>3,125</u></u>	<u><u>3,845</u></u>

## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Other receivables	4,275	4,845
Deposits and prepayments	<u>5,290</u>	<u>13,762</u>
Total other receivables, deposits and prepayments	9,565	18,607
Less: Amounts that will be settled or utilised within one year	<u>(5,769)</u>	<u>(16,962)</u>
Amount that will be utilised for more than one year	<u><u>3,796</u></u>	<u><u>1,645</u></u>

## 15. TRADE PAYABLES

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

	<b>2017</b> <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 - 60 days	<b>287</b>	211
61 - 90 days	–	–
Over 90 days	<b>31</b>	31
	<hr/> <b>318</b> <hr/>	<hr/> 242 <hr/>

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.

Other payables and accrued charges mainly represent the payable balance of expenses and costs incurred for online platform maintenance for the years ended 31 March 2017 and 2016.

## 16. DISPOSAL OF SUBSIDIARIES

### (i) 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 business 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 share 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	4,000
	<u><u>4,000</u></u>

**30/12/2016**

*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, deposits and prepayments	4,999
Bank balances and cash	3,563
Other payables and accrued charges	(6,423)
Tax payable	(1,591)
	<u>2,309</u>
Non-controlling interests	11,155
	<u>13,464</u>

**Loss on disposal of subsidiaries:**

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

**Net cash inflow arising on disposal:**

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

The Culturecom Technology Group contributed revenue of HK\$1,076,000 (2016: HK\$1,119,000) to the Group during the year ended 31 March 2017. No tax charge or credit arose on loss on the disposal.



(ii) **Disposal of Culture.com Technology (BVI) Limited (“Culture.com (BVI)”)**

On 2 July 2015, the Group entered into an agreement to dispose of its wholly owned subsidiary, Culture.com (BVI) and its subsidiaries (collectively referred to as the “Culture.com (BVI) Group”) to an independent third party, for a cash consideration of HK\$1,000,000. Culture.com (BVI)’s principal activity was investment holding while the remaining subsidiaries were dormant. The transaction was completed on 31 July 2015, the date which the control of Culture.com (BVI) Group has been passed to the independent third party.

The Group’s share of net assets of Culture.com (BVI) Group at the date of disposal and the effect of disposal were as follows:

	<i>HK\$’000</i>
<b>Consideration received:</b>	
Cash	1,000
	<u><u>1,000</u></u>
	<b>31/07/2015</b>
	<i>HK\$’000</i>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Interests in associates	2,996
Available-for-sale financial asset	2
Other receivables, deposits and prepayments	208
Bank balances and cash	236
Other payables	(81)
	<u>3,361</u>
Net assets disposed of	<u><u>3,361</u></u>
<b>Loss on disposal of subsidiaries:</b>	
Consideration received	1,000
Net assets disposed of	(3,361)
Non-controlling interests	13
	<u>(2,348)</u>
Loss on disposal	<u><u>(2,348)</u></u>
<b>Net cash inflow arising on disposal:</b>	
Cash received	1,000
Less: Bank balances and cash disposed of	(236)
	<u>764</u>

The Culture.com (BVI) Group contributed no revenue to the Group during the year ended 31 March 2016. No tax charge or credit arose on loss on the disposal.

## **DIVIDEND**

No dividend was paid or proposed during the year of 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

## **FINANCIAL RESULTS**

For the year ended 31 March 2017, the Group's overall turnover decreased by approximately 13.6% to HK\$24,026,000 of which approximately HK\$10,060,000, HK\$10,416,000, HK\$1,076,000 and HK\$2,474,000 (31 March 2016: HK\$16,140,000, HK\$6,725,000, HK\$1,976,000 and HK\$2,951,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, retailing and wholesales and catering respectively.

The Group's consolidated net loss attributable to the owners of the Company in 2017 decreased by 16.1% to HK\$48,753,000 or 22.9% to HK3.7 cents per share (31 March 2016: loss of HK\$58,078,000 or HK4.8 cents per share). This was mainly due to gain on disposal of an associate, lower cost related to online and social business development, decreased in staff cost, offsetting by increased in consultancy and professional fees mainly for the proposed acquisition which was terminated on March 2017 and loss on disposal of subsidiaries during the year.

Also, as at 31 March 2017, the Group's net asset value was approximately HK\$363,308,000 and net asset value per weighted average number of 1,301,628,000 shares of the Company was approximately HK\$0.28 (31 March 2016: HK\$0.20).

## **WARRANTS**

### **2017 Warrants**

On 20 July 2012, the Company proposed to enter into a warrant subscription agreement in relation to the private placing of up to 76,790,000 warrants (the "2017 Warrants") by the warrant subscribers, at the warrant issue price of 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.

The non-listed warrants were issued by the Company at the warrant issue price to subscribe for an aggregate of HK\$92,148,000 in shares, each entitles the holder thereof to exercise 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. The placing of the warrant subscription was completed on 2 August 2012.

During the year, the non-listed warrants holders of 12,080,000 units of the 2017 Warrants exercised their rights to subscribe for 12,080,000 shares in the Company at an exercise price of HK\$1.20 per share. At as 31 March 2017, the Company had outstanding 44,710,000 units of the 2017 Warrants.

## **2016 Warrants**

On 30 July 2014, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 157,500,000 warrants (the “2016 Warrants”), with subscription price of HK\$0.16, conferring rights to subscribe for up to 157,500,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per share, to not less than 300 placees who are independent third parties, which are exercisable during the two years from 22 September 2014 to 21 September 2016 (or the next business day after 21 September 2016 if 21 September 2016 is not a business day), both days inclusive. The placing of the 2016 Warrants was completed on 19 September 2014 and was classified as equity instruments.

The proceeds from the placing of approximately HK\$23,821,000, net of expenses incurred on warrants issue amounting HK\$1,379,000, were used as general working capital of the Company.

For the year ended 31 March 2017, registered holders of 134,670,000 units of the 2016 Warrants exercised their right to subscribe for 134,670,000 shares in the company at an exercise price of HK\$0.75 per share. As at 31 March 2017, the remaining 285,000 units of the 2016 Warrants was expired and the Company had no outstanding of the 2016 Warrants.

## **DISPOSAL OF SUBSIDIARIES**

On 30 December 2016, the Group entered into an agreement to dispose of its wholly owned subsidiary, Culturecom Technology Limited and its subsidiaries to an independent third party, for a cash consideration of HK\$4,000,000. The transaction was completed on 30 December 2016, the date which the control of Culturecom Technology Limited has been passed to the independent third party.

On 31 March 2017, the Group entered into an agreement to dispose of the 30% shareholding of its wholly owned subsidiary, Go Capital Limited and its subsidiaries to an independent third party, for a cash consideration of HK\$1,800,000. The transaction was completed on 18 April 2017.

## **DISPOSAL OF ASSOCIATE**

The Group held a 21.14% interest in China Bio Cassava Holdings Limited (“Bio Cassava”), which accounted for the investment as an associate. On 24 March 2017, the Group fully disposed the 21.14% interest in Bio Cassava by placement through an independent placing agent for a proceed of HK\$62,257,000, which was received in March 2017. This transaction has resulted in a gain of HK\$29,884,000, which was recognized in the profit or loss.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 March 2017, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$263,532,000 and held for trading investments of approximately HK\$6,640,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 31 March 2017, the Group had a net current assets of approximately HK\$325,210,000 (31 March 2016: HK\$200,836,000) and a current ratio of 29.5 (31 March 2016: 11.7). The Group's total liabilities as of 31 March 2017 amounted to approximately HK\$12,109,000 (31 March 2016: HK\$19,538,000) and represented approximately 3.3% (31 March 2016: 7.3%) to equity attributable to owners of the Company.

Upon consideration of the above, the Directors have no doubt that the Group will have sufficient liquidity to finance its daily operations, as reflected by its healthy financial status with a wealth of cash flow and other resources. As always, the Group will continue to follow prudent and disciplined cash management practices on any excess liquidity.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As of 31 March 2017, the Group had a total of 82 employees of which 33 are based in Hong Kong, 20 in Macau and 29 in PRC. Total staff costs incurred during the year amounted to approximately HK\$24,326,000 (31 March 2016: HK\$31,317,000). 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, we have maintained a steady track record in the intellectual properties licensing business of our comics titles, and have taken proactive measures in the development and in the diversification of this business segment. In addition to receiving licensing fees from direct licensing, we have also, through direct investment and cooperation, further revitalized our comics titles.

The Group's online and social businesses have achieved a lower cost development in the current year. As the Group's online platform has gradually reached maturity, we will, in response to the market demands, further expand the scope of mobile application business by means of investment and cooperation in the future.

In terms of our cultural and entertainment businesses, as competition between theatre multiplexes have intensified in mainland China, the Group has taken proper measures and looked for appropriate business partners to maintain a steady in-flow of revenue from theatre multiplexes in Western Guangdong. During the year, the Group is authorized by China Central Television (CCTV) to jointly produce a movie called “誰是球王(On The Pitch)”. This CCTV program will be related to football sports, among other CCTV production. The shooting has already been finished and the movie will be released in mainland China during the summer season of this year. The Group has also invested in a web movie called “月是故鄉明(The Moon Is Brighter In The Hometown)”. It is based on an inspirational story and it is expected to be released in the second half of this year. Meanwhile, in order to better revitalize our comics titles, the Group has decided in the beginning of the year to cooperate with third parties in the production of a series of web drama adapted from one of our classic comics titles named “怪異集(The Incredible Stories)”.

Due to various reasons, the Group has terminated the acquisition of Super Sports Media Inc. in March of this year. The Group still look forward to further enhance its intellectual properties operational business and seek for investment opportunities to expand it in the coming years.

## **PROSPECT**

The Group will strengthen its unity as well as cooperation between existing operational segments, refine the management of intellectual properties, maintain balanced development between traditional publishing, intellectual properties licensing and copyright operations, while at the same time develop its cultural and entertainment business. The Group will further enhance the development of the said businesses via mobile internet technology channels.

## **CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS**

The Principal Register of Members and the branch Registers of Members and Warrant holders will be closed from 15 August 2017 to 22 August 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2017 Annual General Meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies 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 2017.

## **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 2017.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as stipulated in Appendix 14 to the Listing Rules, currently comprises three Independent Non-Executive Directors, namely Mr. Lai Qiang, Mr. Fan Chun Wah Andrew and Mr. Joseph Lee Chennault. 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 2017.

## **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 2017 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 Chairman of the Board, Mr. Chu Bong Foo was unable to attend the Annual General Meeting of the Company held on 20 September 2016 as he was on business trip for other important business engagement. 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.

## **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 2017.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This results announcement is available for viewing 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.

On behalf of the Board  
**Culturecom Holdings Limited**  
**Kwan Kin Chung**  
*Managing Director*

Hong Kong, 23 June 2017

*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. Tang U Fai, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being Executive Directors); Mr. Fan Chun Wah Andrew, Mr. Joseph Lee Chennault, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-Executive Directors).*

\* *For identification purpose only*