

# TARGET

## Intelligence Report

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### **CULTURECOM HOLDINGS LTD: HOW MUCH LOWER CAN THIS COMPANY'S SHARE-PRICE FALL ?**

#### **The Company Was Slapped In The Face From Prospective Investors !**

In respect of the past five Financial Years, ended March 31, 2023, Management of Culturecom Holdings Ltd (文化傳信集團有限公司) (Code: 343, Main Board, The Stock Exchange of Hongkong Ltd), had been forced to record only losses to its shareholders.

In addition, according to Page 21 of the 2022-2023 Annual Report of the Company, in April 2023, Management '*entered into an agreement to dispose of the entire equity interest in Hyperchannel Technology 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 RMB50,000.00.*'

As if that were not enough pain for Senior Management and the Company's shareholders, at the following Page 22 of the 2022-2023 Annual Report of the Company, one was informed of the following intelligence:

*'On June 15, 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 (a) resolution to set up (a) liquidation group to liquidate Eqmen and Beijing Star Engine in accordance with the applicable laws and regulations in the (People's Republic of China) PRC.*

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

#### **THE BUSINESSES OF CULTURCOM HOLDINGS LTD**

Culturecom Holdings Ltd is an investment corporate entity, principally engaged in digital marketing.

It operates through three segments, to wit:

- (a) The Digital Marketing Segment is engaged in the provision of digital marketing and communication, intellectual property (**IP**) digitalisation and agency of **IP** services;
- (b) The publishing and **IP**'s Licensing Segment is engaged in the publication of comic books and licensing **IP**'s of comics businesses; and,
- (c) The retailing and wholesales of wine in the **Hongkong Special Administrative Region (HKSAR)** of the PRC.

At Page Five through to Page 10 of the 2022-2023 Annual Report of the Company, Mr Kwan Kin Chung (關健聰), the Managing Director of the Company, explained to shareholders of the Company – isolating individual Company Segments – how the Company fared, during the Financial Year, ended March 31, 2023.

Under the '**Digital Marketing**' Segment, Mr Kwan Kin Chung said:

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

*'In streamlining its operations, the operation of the Group's two 55%-owned subsidiaries in Beijing, including Beijing Skyvior Technology Co. Ltd (北京乾智傳視科技有限公司) ("**Beijing Skyvior**") and Hyperchannel Info Tech., Ltd ("**Hyperchannel Info**"), specializing in digital marketing, applying big data analysis in matching IPs to assist customers in marketing products and services, were consolidated in last year. The consolidation resulted significant cost savings. However, the revenue declined drastically, as the prospect of business recovering was unknown, and the operation suffered a considerable brain drain. Subsequent to the fiscal year end, the Group decided to dispose Hyperchannel Info to further streamline the structure of digital marketing segment. Also, upon discussion and negotiation with WPP Marketing (Hong Kong) Limited, our 19.9% joint-venture partner of Beijing Star Engine Information Technology Co. Ltd. ("**Beijing Star Engine**"), it has been agreed to commence the process of voluntarily winding up of Beijing Star Engine. Beijing Star Engine was set up in 2021 and was engaged in providing*

*technical support and services of our Digital Marketing team to our customer, but its operating result was far below expectations and forecast. There are no reasonable means and prospect of making any material improvement on the financial performance of Beijing Star Engine in the foreseeable future.*

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

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