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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

#### INTERIM RESULTS

The Board of Directors (the “Directors”) of Culturecom Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2021 together with the comparative figures for the corresponding period of 2020 are as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

		Six months ended	
		30 September	
	NOTES	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Continuing operations</b>			
Revenue	3	44,974	79,576
Cost of sales		(32,319)	(58,668)
Gross profit		12,655	20,908
Other income	5	181	1,144
Other gains and losses	6	1,823	(342)
Impairment loss under expected credit loss model, net of reversal		—	(330)
Impairment loss recognised in respect of goodwill	7	(1,396)	(2,494)
Selling expenses		(8,957)	(13,746)
Administrative expenses		(19,065)	(19,878)
Other expenses	9	(9,882)	(8,540)
Finance costs	8	(897)	(1,225)
Share of loss of an associate		(135)	(26)
Loss before tax	9	(25,673)	(24,529)
Income tax credit	10	16	129
<b>Loss for the period from continuing operations</b>		<b>(25,657)</b>	<b>(24,400)</b>

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTES</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	17	—	(374)
Loss for the period		<u>(25,657)</u>	<u>(24,774)</u>
<b>Other comprehensive income (expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(416)	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,957	3,572
Reclassification of cumulative translation reserve upon disposal of a foreign operation		—	125
Other comprehensive income for the period		<u>1,541</u>	<u>3,697</u>
Total comprehensive expense for the period		<u><u>(24,116)</u></u>	<u><u>(21,077)</u></u>
Loss for the period attributable to owners of the Company:			
— from continuing operations		(20,171)	(19,481)
— from discontinued operation		—	(302)
		<u>(20,171)</u>	<u>(19,783)</u>
Loss for the period attributable to non-controlling interests:			
— from continuing operations		(5,486)	(4,919)
— from discontinued operation		—	(72)
		<u>(5,486)</u>	<u>(4,991)</u>
		<u><u>(25,657)</u></u>	<u><u>(24,774)</u></u>
Total comprehensive expense for the period attributable to:			
— owners of the Company		(18,958)	(17,155)
— non-controlling interests		(5,158)	(3,922)
		<u>(24,116)</u>	<u>(21,077)</u>
Total comprehensive expense for the period attributable to owners of the Company:			
— from continuing operations		(18,958)	(16,986)
— from discontinued operation		—	(169)
		<u>(18,958)</u>	<u>(17,155)</u>
Loss per share			
From continuing and discontinued operations			
Basic (HK cents)	12	<u>(1.2)</u>	<u>(1.4)</u>
From continuing operations			
Basic (HK cents)		<u>(1.2)</u>	<u>(1.4)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2021**

	<i>NOTES</i>	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
<b>Non-current assets</b>			
Property and equipment		253	473
Right-of-use assets		360	2,260
Goodwill		—	1,396
Interest in an associate		1,060	1,195
Intangible assets		2,887	5,366
Rental deposits	13	294	1,333
Financial assets at fair value through profit or loss ("FVTPL")		2,783	1,802
		<u>7,637</u>	<u>13,825</u>
<b>Current assets</b>			
Inventories		35,630	35,630
Trade receivables	13	26,231	62,841
Other receivables, deposits and prepayments	13	7,406	15,849
Financial assets at FVTPL		1,280	1,220
Pledged bank deposits		36,001	35,935
Restricted bank deposit	16	5,409	5,324
Bank balances and cash		121,578	75,094
		<u>233,535</u>	<u>231,893</u>
<b>Current liabilities</b>			
Trade payables	14	4,776	14,519
Other payables and accrued charges	14	13,897	16,051
Contract liabilities		768	1,057
Lease liabilities		3,273	4,394
Bank borrowings	15	26,445	35,495
		<u>49,159</u>	<u>71,516</u>
<b>Net current assets</b>		<u>184,376</u>	<u>160,377</u>
<b>Total assets less current liabilities</b>		<u>192,013</u>	<u>174,202</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		645	663
Lease liabilities		1,335	965
		<u>1,980</u>	<u>1,628</u>
<b>Net assets</b>		<u>190,033</u>	<u>172,574</u>
<b>Capital and reserves</b>			
Share capital		16,687	13,907
Share premium and reserves		171,220	151,383
Equity attributable to owners of the Company		187,907	165,290
Non-controlling interests		2,126	7,284
<b>Total equity</b>		<u>190,033</u>	<u>172,574</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In prior period, the Group had its online and social business carried out by Polluquin Holdings Limited, a non-wholly owned subsidiary of the Group, and its subsidiaries (collectively referred to as the “Polluquin Group”). The operation for online and social business was disposed on 17 September 2020. Accordingly, the results of the Polluquin Group’s operation for the period ended 16 September 2020 have been separately presented as a discontinued operation in the condensed consolidated statement of profit or loss and other comprehensive income.

Details of the above discontinued operation are set out in Note 17.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

**Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

### 3. REVENUE

#### Continuing operations

#### *Disaggregation of revenue from contracts with customers*

	For the six months ended 30 September 2021		
	Publishing and intellectual properties licensing <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Time of revenue recognised:</b>			
At a point in time			
— Comic book sales	5,403	—	5,403
— Royalty income from intellectual properties licensing	1,798	—	1,798
— New media advertising revenue	—	35,517	35,517
Over time			
— Social media marketing	—	2,256	2,256
Total	<u>7,201</u>	<u>37,773</u>	<u>44,974</u>
Principal	<u>7,201</u>	<u>37,773</u>	<u>44,974</u>
<b>Geographical markets</b>			
Hong Kong (place of domicile)	7,201	—	7,201
The People's Republic of China (the "PRC")	—	37,773	37,773
Total	<u>7,201</u>	<u>37,773</u>	<u>44,974</u>

For the six months ended 30 September 2020

	Publishing and intellectual properties licensing <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Time of revenue recognised:</b>			
At a point in time			
— Comic book sales	1,844	—	1,844
— Royalty income from intellectual properties licensing	2,021	—	2,021
— New media advertising revenue	—	66,023	66,023
Over time			
— Social media marketing	—	9,688	9,688
Total	<u>3,865</u>	<u>75,711</u>	<u>79,576</u>
Principal Agent			
	3,865	75,294	79,159
	—	417	417
Total	<u>3,865</u>	<u>75,711</u>	<u>79,576</u>
<b>Geographical markets</b>			
Hong Kong (place of domicile)	3,865	—	3,865
The PRC	—	75,711	75,711
Total	<u>3,865</u>	<u>75,711</u>	<u>79,576</u>

#### 4. 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 operating and reportable segments from continuing operations 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 comics.
- Digital marketing: providing digital marketing and communication, intellectual property digitalisation and agency of intellectual property services in the PRC.
- Retailing and wholesales: retailing of wine.

Operation in online and social business was disposed on 17 September 2020 (as detailed in Note 1).

### Segment revenue and results

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

#### For the six months ended 30 September 2021 (unaudited)

##### *Continuing operations*

	<b>Publishing and intellectual properties licensing <i>HK\$'000</i></b>	<b>Digital marketing <i>HK\$'000</i></b>	<b>Retailing and wholesales <i>HK\$'000</i> <i>(Note)</i></b>	<b>Consolidated <i>HK\$'000</i></b>
Revenue				
External sales	<u>7,201</u>	<u>37,773</u>	<u>—</u>	<u>44,974</u>
Segments results	<u>1,491</u>	<u>(16,484)</u>	<u>(244)</u>	<u>(15,237)</u>
Unallocated expenses				(11,046)
Unallocated income				62
Other gains and losses				1,944
Impairment loss recognised in respect of goodwill				<u>(1,396)</u>
Loss before tax from continuing operations				<u>(25,673)</u>

For the six months ended 30 September 2020 (unaudited)

*Continuing operations*

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i> <i>(Note)</i>	Consolidated <i>HK\$'000</i>
Revenue				
External sales	3,865	75,711	—	79,576
Segments results	890	(12,579)	(238)	(11,927)
Unallocated expenses				(10,231)
Unallocated income				416
Other gains and losses				(293)
Impairment loss recognised in respect of goodwill				(2,494)
Loss before tax from continuing operations				(24,529)

*Note:* Premium wines with a carrying amount of HK\$34,905,000 (31 March 2021: HK\$34,905,000) were held by the Group as at 30 September 2021. The Group has not made any sales of its premium wines during the current interim period and has not ceased the operations of the retailing and wholesales segment as it is exploring more distribution channels of these premium wines. There is no impairment loss on the inventory recognised in the profit or loss after considered the relevant cost such as storage cost, insurance and marketing cost etc.

Segment result represents the loss before tax incurred by each segment without the allocation of certain other income, gain (loss) on fair value change of financial assets at FVTPL, share of loss of an associate, impairment loss on goodwill 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.

## 5. OTHER INCOME

### **Continuing operations**

For the six months ended 30 September 2021, other income included bank interest income of HK\$105,000 (six months ended 30 September 2020: HK\$203,000) and government grants of HK\$nil (six months ended 30 September 2020: HK\$842,000) in respect of Covid-19-related subsidies under Employment Support Scheme provided by the Hong Kong government.



## 6. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Gain (loss) on fair value change of financial assets at FVTPL		
— held for trading	(241)	(157)
— others	1,140	(140)
Gain on disposal of property and equipment	24	—
Gain on early termination of lease	860	—
Net foreign exchange gain (loss)	40	(45)
	<u>1,823</u>	<u>(342)</u>

## 7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

### Continuing operations

For the purpose of impairment assessment, goodwill is 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.

During the current interim period, the Group recognised goodwill impairment of HK\$1,396,000 (2020: HK\$2,494,000) for the CGU of Hyperchannel Info (2020: Eqmen).

\* English name is for identification purpose only.

## 8. FINANCE COSTS

### Continuing operations

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on bank borrowings	805	345
Interests on lease liabilities	92	200
Interests on advances from independent third parties	—	680
	<u>897</u>	<u>1,225</u>

## 9. LOSS BEFORE TAX

### Continuing operations

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Audit fee	1,288	1,223
Amortisation of intangible asset	1,212	862
Staff costs, including directors' emoluments	19,163	24,158
Depreciation of right-of-use assets	2,023	3,107
Depreciation of property and equipment	302	269
Impairment loss of right-of-use assets (included in administrative expenses)	2,487	—
Impairment loss of intangible assets (included in other expenses)	1,334	—
Legal, consultancy and other professional fee ( <i>Note</i> )	1,812	3,141
Research cost (included in other expenses)	6,736	5,399
	<u>6,736</u>	<u>5,399</u>

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

## 10. INCOME TAX CREDIT

### Continuing operations

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda for both periods.

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits for both periods. 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%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Income tax credit comprises:</b>		
Deferred tax		
— Deferred tax credit	<u>16</u>	<u>129</u>
Income tax credit	<u><u>16</u></u>	<u><u>129</u></u>

## 11. DIVIDEND

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 12. LOSS PER SHARE

### From continuing operations

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(20,171)	(19,783)
Less: Loss for the period from discontinued operation	—	302
	<u>(20,171)</u>	<u>(19,481)</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(20,171)</u>	<u>(19,481)</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Weighted average number of shares for the purposes of basic loss per share	<u>1,614,580</u>	<u>1,390,657</u>

### From continuing and discontinued operations

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(20,171)</u>	<u>(19,783)</u>

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

### From discontinued operation

For the six months ended 30 September 2020, basic loss per share for the discontinued operation is HK0.02 cent loss per share, based on the loss for the period of HK\$302,000 from the discontinued operation and the denominator used is the same as those detailed above for basic loss per share.

No diluted loss per share has been presented as there was no potential ordinary shares in issue for both periods.

### 13. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

#### (a) Trade receivables

The Group allows the general credit period of ranges from 0 to 120 days to customers of publishing and intellectual properties licensing, retailing and wholesales and digital marketing segments. The following is the aged analysis of trade receivables net of allowance for credit losses presented based on the date of billing at the end of reporting period.

	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
0 — 60 days	21,506	57,691
61 — 90 days	3,164	666
91 — 180 days	1,412	4,025
Over 180 days	149	459
	<u>26,231</u>	<u>62,841</u>

Trade receivables are interest-free and unsecured.

#### (b) Other receivables, deposits and prepayments

	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
Other receivables	2,024	8,700
<i>Less: allowance of credit loss</i>	<u>(642)</u>	<u>(642)</u>
	1,382	8,058
Deposits and prepayments ( <i>Note</i> )	<u>6,318</u>	<u>9,124</u>
Total other receivables, deposits and prepayments	7,700	17,182
<i>Less: Amounts that will be settled or utilised within one year</i>	<u>(7,406)</u>	<u>(15,849)</u>
Amount that will be utilised for more than one year	<u>294</u>	<u>1,333</u>

*Note:* As of 30 September 2021, the amount mainly comprised of prepayments of approximately HK\$6,028,000 (31 March 2021: HK\$5,614,000) made to media suppliers under digital marketing business.

**(c) Impairment assessment of financial assets under expected credit loss model**

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2021. There is no additional expected credit loss for trade receivables recognised in profit or loss during the current interim period.

**14. 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.

	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
0 — 60 days	<b>3,526</b>	13,487
61 — 90 days	<b>344</b>	225
Over 90 days	<b>906</b>	807
	<b>4,776</b>	14,519

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.

Other payables and accrued charges mainly represent the accrued operating expenses and accrued salaries.

## 15. BANK BORROWINGS

	<b>30 September 2021 HK\$'000 (unaudited)</b>	31 March 2021 HK\$'000 (audited)
Carrying amount of bank borrowings that is:		
— repayable on demand	19,233	11,831
— repayable on demand due to breach of loan covenant	<u>7,212</u>	<u>23,664</u>
	<u><b>26,445</b></u>	<u><b>35,495</b></u>

As at 30 September 2021, bank borrowings carry fixed interest rate which is determined at loan prime rate plus 0.5175% (31 March 2021: 0.5175%) per annum upon drawdown of the bank borrowings and are secured by pledged bank deposits. During the period ended 30 September 2021, the effective interest rates on the bank borrowings are ranged from 4.37% to 4.87% (31 March 2021: 4.37% to 4.87%).

As at 30 September 2021, in respect of bank borrowings with carrying amount of approximately HK\$7,212,000 (31 March 2021: approximately HK\$23,644,000) secured by the pledged bank deposits, a subsidiary (31 March 2021: two subsidiaries) of the Group breached the corresponding bank covenant, which are primarily related to maintain the net tangible assets of the related subsidiaries at the agreed level. On discovery of the breach, the Directors informed the bank and commenced a renegotiation of the terms of the loans with the banker. As at 30 September 2021, the negotiation in respect of the breach of loan covenants of bank borrowings of approximately HK\$7,212,000 had not been concluded.

## 16. RESTRICTED BANK DEPOSIT/CONTINGENT LIABILITY

A subsidiary of the Group, Hyperchannel Info, is a defendant in a legal action involving the all legal failure of Hyperchannel Info to provide services in accordance with the terms of contract. The customer filed a lawsuit in People's Court of Nanshan District of Shenzhen (the "Court") against Hyperchannel Info to terminate the signed contract and demand repayment amounting to RMB4,500,000 (approximately HK\$5,409,000 (31 March 2021: HK\$5,324,000)). The customers has also requested the Court to restrict Hyperchannel Info's bank balance amounted to RMB4,500,000 (approximately HK\$5,409,000 (31 March 2021: HK\$5,324,000)). In accordance with the order of seal up, distraint and freeze properties issued by the Court, the restricted bank deposit expiry date extended to 13 July 2022 and therefore such deposit is classified as current asset accordingly.

Hyperchannel Info is in the process of defending the action and based on legal advice obtained, the Directors are of the view that no material losses will arise in respect of the legal claim at the date of these condensed consolidated financial statements as it is not probable that the contingent liability of RMB4,500,000 (approximately HK\$5,409,000 (31 March 2021: HK\$5,324,000)) will materialise.

## 17. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATION)

During the period ended 30 September 2020, the Group entered into a sale agreement with an independent third party to dispose of its entire equity interest in Polluquin Group (as defined in Note 1) that carried out all of the Group's online and social business for a total cash consideration of HK\$154,000. The purpose of the disposal is to streamline its operations. The disposal was completed on 17 September 2020, on which date the Group lost control of Polluquin Group. The Group's online and social business operation is treated as discontinued operation.

The loss from the discontinued operation is set out below.

	Period ended 16 September 2020 <i>HK\$'000</i> (unaudited)
Loss for the period	(168)
Loss on disposal of Polluquin Group	<u>(206)</u>
	<u><u>(374)</u></u>

The results of the operation for the period from 1 April 2020 to 16 September 2020, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 16 September 2020 <i>HK\$'000</i> (unaudited)
Revenue	63
Other income	1
Administrative expense	<u>(232)</u>
Loss before tax	(168)
Income tax expense	<u>—</u>
Loss for the period	<u><u>(168)</u></u>



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

16 September  
2020  
HK\$'000  
(unaudited)

Analysis of assets and liabilities over which control was lost:

Other receivables	1,021
Bank balances and cash	271
Trade payables, other payables and accrued charges	<u>(865)</u>
 Net assets disposed of	 <u><u>427</u></u>
 <b>Loss on disposal of Polluquin Group:</b>	
Consideration receivable ( <i>Note</i> )	154
Net assets disposed of	(427)
Non-controlling interests	192
Reclassification of cumulative translation reserve upon disposal of Polluquin Group to profit or loss	<u>(125)</u>
 Loss on disposal	 <u><u>(206)</u></u>
 Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u><u>(271)</u></u>

*Note:* The consideration receivable has been settled by the independent third party on 9 October 2020.

## 18. EVENT AFTER REPORTING PERIOD

During the current period, 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 HK\$63,000,000, which shall be settled by procuring the Company to issue and allot 191,000,000 shares. As additional time is required to fulfil the conditions in the agreement, the transaction is not yet completed as at the date of these condensed consolidated financial statements. Details of the above transaction is set out in the Company's announcements dated 2 June 2021, 26 August 2021 and 29 October 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Group's consolidated net loss attributable to the owners of the Company during the six months ended 30 September 2021 is HK\$20,171,000 (30 September 2020: loss of HK\$19,783,000), increased by 2.0% or the loss per share at HK1.2 cents as of 30 September 2021 (30 September 2020: HK1.4 cents per share).

The analysis of condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2021 is as follows:

#### 1. Revenue

For the six months ended 30 September 2021, the Group's overall revenue from continuing operations decreased by approximately 43.5% to HK\$44,974,000 of which approximately HK\$7,201,000 and HK\$37,773,000 (2020: HK\$3,865,000 and HK\$75,711,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing and digital marketing respectively.

The revenue for the business of publishing and IPs licensing, increased by approximately 86.3%. There was an increase of revenue from publication of comic book which is offset by a drop in revenue from IPs licensing during the current interim period.

The revenue from the digital marketing business significantly decreased from HK\$75,711,000 to HK\$37,773,000 for the six months ended 30 September 2021. While in general the online retail business of our customers were not adversely affected by the Covid-19 pandemic, in fact some of them experienced increased business volume, but our customers in general reduced their outsourcing of advertising and marketing activities. As a result, our business volume decreased compared with last interim period. When facing this downward trend of business, the Group focused on improving the profit margin of projects undertaken.

#### 2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$12,655,000 with gross profit margin of 28.1% for the six months ended 30 September 2021 as compared to the same period of 2020, which recorded a gross profit of HK\$20,908,000 with a gross profit margin of 26.3%.

#### 3. Selling expenses

The selling expenses from continuing operations decreased from approximately HK\$13,746,000 for the six months ended 30 September 2020 to approximately HK\$8,957,000 for the six months ended 30 September 2021. The decrease was mainly due to the decrease in the revenue from the segment of digital marketing business during the interim period.

#### **4. Administrative expenses**

The Group recorded an aggregate administrative expenses from continuing operations of approximately HK\$19,065,000 for the six months ended 30 September 2021 (2020: HK\$19,878,000).

The major expenses components for the six months ended 30 September 2021 were staff cost of approximately HK\$10,192,000 (2020: HK\$10,999,000), audit fee of approximately HK\$1,288,000 (2020: HK\$1,223,000), depreciation of right-of-use assets of approximately HK\$2,023,000 (2020: HK\$3,107,000), listing and corporate services fee of approximately HK\$296,000 (2020: HK\$284,000), operating lease rentals in respect of rental premises of approximately HK\$305,000 (2020: HK\$493,000) and impairment loss of right-of-use assets of approximately HK\$2,487,000 (2020: HK\$nil).

The decrease in administrative expenses from continuing operations was mainly due to the improvement of cost control in the digital marketing business.

#### **5. Other expenses**

The other expenses from continuing operations recorded the research cost of approximately HK\$6,736,000 (2020: HK\$5,399,000) for development the online platform of digital marketing and the consultancy, other professional fee of approximately HK\$1,812,000 (2020: HK\$3,141,000) paid to consultants providing professional advices and business operations and development and impairment loss of intangible assets of approximately HK\$1,334,000 (2020: HK\$ nil).

#### **6. Loss for the period**

The Group recorded a loss from continuing operations of approximately HK\$25,657,000 (2020: HK\$24,400,000) and discontinues operations of HK\$ nil (2020: HK\$374,000) for the six months ended 30 September 2021, respectively.

Also, as at 30 September 2021, the Group has net asset of approximately HK\$190,033,000 (31 March 2021: HK\$172,574,000). Net asset value per share of HK\$0.11 (31 March 2021: HK\$0.12).

### **LIQUIDITY AND FINANCIAL RESOURCES**

As of 30 September 2021, the Group had bank balances with financial institutions in aggregate of approximately HK\$121,578,000, pledged bank deposits of approximately HK\$36,001,000, restricted bank deposit of HK\$5,409,000 and a total of financial assets at fair value through profit or loss of approximately HK\$4,063,000.

As of 30 September 2021, the Group had bank borrowings of approximately HK\$26,445,000 and were secured by pledged bank deposits for granting banking facilities to the Group. Save as above, no other assets of the Group has been pledged as of 30 September 2021.

The Group has no significant exposure to foreign exchange rate fluctuation except for the currency of RMB.

As of 30 September 2021, the Group had a net current asset of approximately HK\$184,376,000 (31 March 2021: HK\$160,377,000) and a current ratio of 4.8 (31 March 2021: 3.2). The Group's total liabilities as of 30 September 2021 amounted to approximately HK\$51,139,000 (31 March 2021: HK\$73,144,000) and the gearing ratio of the Group represented approximately 27.2% (31 March 2021: 44.3%) 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 30 September 2021, the Group had a total of 117 employees of which 29 are based in Hong Kong and 88 in the PRC. Total staff costs incurred for the six months ended 30 September 2021 amounted to approximately HK\$19,163,000 (30 September 2020: HK\$24,158,000). 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.

## **REMUNERATION OF THE CHIEF EXECUTIVE OFFICER**

On 19 November 2021, the Company announced the appointment of Mr. Sun Wei as the Chief Executive Officer of the Company. On 22 November 2021, Mr. Sun entered into an employment contract with the Company, pursuant to which, Mr. Sun is entitled to a monthly salary of HK\$60,000 for the position of Chief Executive Officer of the Company.

## **USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

### **Share Subscription completed on 6 May 2021 (the "Share Subscription")**

Reference is made to the announcement issued by the Company on 1 March 2021 and 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 Share Subscription was approved by the shareholders of the Company at the Special General Meeting on 30 April 2021.

The subscription of shares was completed on 6 May 2021 with net proceeds of Share Subscription (after deducting all relevant expenses) approximately HK\$41,575,000 are intended to use for the expansion of the Group's digital marketing segment, in particular as to:

	<b>Use of net proceeds from the Share Subscription</b>	<b>Planned use of proceeds</b>	<b>Approximate percentage of total net proceeds</b>	<b>Actual use of net proceeds up to 30 September 2021</b>	<b>Unused total net proceeds up to 30 September 2021</b>
1	Working capital for building strengthening the marketing and technical team	HK\$8.6 million	20.8%	HK\$6.3 million	HK\$2.3 million
2	Working capital for the provision of Key Opinion Leader (“KOL”) management services	HK\$15.2 million	36.7%	Nil	HK\$15.2 million
3	Potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability	HK\$11.9 million	28.7%	Nil	HK\$11.9 million
4	General working capital	HK\$5.7 million	13.8%	HK\$1.9 million	HK\$3.8 million

The Company intends to continue to apply the proceeds from Share Subscription in a manner consistent with that mentioned above and it is expected that these proceeds will be fully utilized by May 2022. The Directors will continue to evaluate the Group's operations and financial performance when applying the proceeds.

## **PROPOSED ACQUISITION**

### **Acquisition of Entire Equity Interest 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 (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 are subject to the approval by the shareholders of the Company at Special General Meeting. Details of the Proposed Acquisition was set out in the announcements of the Company dated 2 June 2021, 26 August 2021 and 29 October 2021.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As of 30 September 2021, the Group did not have any significant capital commitment. (31 March 2021: Nil).

Save as disclosed in note 16 to the condensed consolidated interim financial statements, the Group did not have any other significant contingent liabilities as at 30 September 2021.

## **BUSINESS REVIEW**

During the interim period ended 30 September 2021, the Group had experienced a significant reduction in business volume on digital marketing business, revenue decreased from HK\$79.6 million to HK\$45.0 million, a decrease of 43.5%, comparing to corresponding period of last year. Covid-19 pandemic has affected the general economy, in particular the service sector. The core Intellectual Properties (“IPs”) related business and digital marketing (“Digital Marketing”) business was particularly hit hard, as the Group was gearing up for expansion. While the economy is facing a downward trend, the adverse effect on the core business of the Group is believed to be temporary and recovery is on the way; the Group will maintain, build and strengthen its marketing and technical team to serve its customers and expand on the scope of services, including the development and management of Multi-channel Networks (MCNs). The Group is forging a cooperative arrangement or joint venture, by direct applications of its digital marketing employing big data analyses, with an international advertising and marketing group. This working relationship will expand the scope of business and customer base of the Group, foster and quicken the transition of traditional marketing to direct digital marketing of our business partners or customers.

Activities of digitalisation and commercialisation of IPs, content creation and digital marketing dropped substantially as gifts or accessories, promotional or hosting events almost grinded to a halt during the Covid-19 pandemic lockdowns. Business activities are reviving but very slowly.

Due to lower business activities and recovery may take awhile, goodwill recognised through business acquisition and intangibles created through capitalization of research and development activities and related to IPs and Digital Marketing of HK\$2.7 million have been provided for during the interim period.

The Group is committed to develop the Digital Marketing business. Although expenses were scaled back due to slow down of economic activities, selling, administrative and other expenses decreased by 10.2% from HK\$42.2 million to HK\$37.9 million during the six-month ended September 30, 2021 comparing to corresponding period of last year. Significant portion of employee costs relating to the development of systems and programs to facilitate the marketing business activities of HK\$6.7 million, were incurred during the interim period. Manpower have significantly been reduced from 238 at the beginning of the period to 117 as at September 30, 2021. Manpower scale backed were most significant at Eqmen Technology Limited (北京易奇門科技有限公司) and Culturecom (Zhuhai) Technology Limited (文漫(珠海) 科技有限公司), a total reduction of 38 people. While the Group is setting up a new joint venture company with a renown international marketing and adverting group, technical and marketing staff were either transferred in or hired for this new operation. Total manpower at this new operating subsidiary, Beijing Star Engine Information Technology Co., Ltd (北京星河引擎信息科技有限公司) has reached 25 as of September 30, 2021, and is expected to continue to increase as business activities pick up.

### **Publishing and IP Licensing Business**

The publishing and IP licensing business has gained momentum. Revenue increased from HK\$3.9 million to HK\$7.2 million during the corresponding interim periods. The Group continues to put more effort in broadening the scope of publishing and licensing business and enticing customers to encompass the use of digital images.

### **Retail and Wholesales Business**

Sales and distribution of premium wines have grinded to a halt because of on and off disruptive lockdowns. The Group is maintaining the network of marketing the premium wines and trying to set up more distribution channels including online platform and wine dealers.

## **PROSPECT**

During this very trying interim period, the Group has scaled back on its commitment of resources and reduced the planned level of investment in Digital Marketing. The maintenance of a strong and sustainable Digital Marketing business supported by a strong marketing and technical team is the primary focus of the Group. Digital Marketing is now the Group's leading core segment. With the Covid-19 pandemic receding and under control, in the second half of the fiscal year the Group is focusing on costs control, and to continue to improve profit margin. At the same time, the extension of our business to collaborate and working with traditional marketing and advertising companies will enable the Group to build a strong hold on full adoption of digital marketing knowledge and skills to the advertising industry.

The Group has raised HK\$41.6 million in May 2021 by placing 278 million new shares. The fund raised is primary for general working capital and acquisition. The working capital reserved for the provision of working capital for expansion into KOLs management services has been temporarily held back due to the slowdown of the general economy. During the current period, no acquisition has been effected yet. Out of the HK\$8.6 million allocated for the strengthening and building a stronger marketing and technical team, about HK\$6.3 million were specifically incurred for this purpose. The Group is cautious in controlling its costs and expenses as the business environment is getting more volatile and competitions are more severe.

On 2 June 2021, the Group announced the entering of an agreement to acquire 100% of the equity shares of a PRC incorporated company, Imitation Brain Technology (Shenzhen) Co., Ltd (the “Target Company”) engaging in the developing and sales of AI hardware and software. The Target Company focuses on the research and development of Chinese AI language processing, Chinese natural language understanding and Chinese AI underlying technology. The Group is of the view that the current big data business of the Group and the comprehensive AI and IoT business capabilities of the Target Company can create significant synergy and potential. The intelligent operating system of the Target Company targets all smart application products and provides Chinese AI voice services with language and semantic understanding capabilities. The Group will issue 191 million new shares for the acquisition, which is about 10.3% of total issued and outstanding shares on the enlarged basis. The acquisition is pending the completion of formalities and approval by shareholders.

## **REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries have purchased, sold and redeemed any of the listed securities in the Company during the six months ended 30 September 2021.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, with written terms of reference in line with the code provision set out in the Code on Corporate Governance Practices (the “Code”) as stipulated in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), currently comprises of three independent Non-executive Directors, namely Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mr. Mung Yat Lik. The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of unaudited interim results for the six months ended 30 September 2021.



## **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 period ended 30 September 2021 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 17 August 2021. However, an Executive Director, present at the annual general meeting 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 of Chairman.

## **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 and Ms. Hung Wai Kwan on 8 August 2021. Currently, the Company comprises of two Corporate Governance Committee members, Mr. Kwan Kin Chung and Ms. Chow Lai Wah Livia, the number of which fell below the minimum number required the written terms of reference of Corporate Governance Committee. The Board will commence a process to identify replacements so as to fulfil as set out in the term of reference of the CGC as regards the minimum number of members.

## **MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS**

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 six months ended 30 September 2021.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

This interim 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 interim report will be dispatched 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 November 2021

*As at the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being Vice Chairman and Executive Director); Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); Mr. Wong Kwan Kit, Mr. Fan Chun Wah Andrew and Mung Yat Lik (all being independent Non-executive Directors).*

\* *for identification purposes only*