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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 2022

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 2022 together with the comparative figures for the corresponding period of 2021 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

		Six months ended 30 September	
		2022	2021
	NOTES	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	16,982	44,974
Cost of sales		(9,492)	(32,319)
Gross profit		7,490	12,655
Other income	5	695	181
Other gains and losses	6	(1,897)	1,823
Impairment loss under expected credit loss model, net of reversal		369	—
Impairment loss recognised in respect of goodwill	7	—	(1,396)
Selling expenses		(2,250)	(8,957)
Administrative expenses		(18,490)	(19,065)
Other expenses	9	(9,565)	(9,882)
Finance costs	8	(54)	(897)
Share of loss of an associate		(220)	(135)
Loss before tax	9	(23,922)	(25,673)
Income tax credit	10	—	16
Loss for the period		(23,922)	(25,657)

		Six months ended	
		30 September	
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other comprehensive (expense)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(20,426)	(416)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>14,111</u>	<u>1,957</u>
Other comprehensive (expense)/income for the period		<u>(6,315)</u>	<u>1,541</u>
Total comprehensive expense for the period		<u><u>(30,237)</u></u>	<u><u>(24,116)</u></u>
Loss for the period attributable to:			
— owners of the Company		(20,851)	(20,171)
— non-controlling interests		<u>(3,071)</u>	<u>(5,486)</u>
		<u><u>(23,922)</u></u>	<u><u>(25,657)</u></u>
Total comprehensive expense for the period attributable to:			
— owners of the Company		(26,758)	(18,958)
— non-controlling interests		<u>(3,479)</u>	<u>(5,158)</u>
		<u><u>(30,237)</u></u>	<u><u>(24,116)</u></u>
Loss per share			
Basic and diluted (HK cents)	12	<u><u>(1.2)</u></u>	<u><u>(1.2)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2022

		30 September 2022 <i>HK\$'000</i> (unaudited)	31 March 2022 <i>HK\$'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property and equipment		106	163
Right-of-use assets		1,112	172
Interests in an associate		715	935
Intangible assets		1,508	2,057
Rental deposits	13	465	—
Financial assets at fair value through profit or loss ("FVTPL")		6,905	8,032
		<u>10,811</u>	<u>11,359</u>
Current assets			
Inventories		35,605	35,630
Trade receivables	13	15,021	18,718
Other receivables, deposits and prepayments	13	8,187	4,902
Financial assets at FVTPL		1,649	338
Restricted bank deposit	15	4,959	5,539
Bank balances and cash		103,879	129,527
		<u>169,300</u>	<u>194,654</u>
Current liabilities			
Trade payables	14	5,888	2,362
Other payables and accrued charges	14	10,524	11,676
Contract liabilities		93	185
Lease liabilities		2,225	601
Tax payable		283	283
		<u>19,013</u>	<u>15,107</u>
Net current assets		<u>150,287</u>	<u>179,547</u>
Total assets less current liabilities		<u>161,098</u>	<u>190,906</u>
Non-current liabilities			
Deferred tax liabilities		12	12
Lease liabilities		1,477	—
		<u>1,489</u>	<u>12</u>
Net assets		<u>159,609</u>	<u>190,894</u>
Capital and reserves			
Share capital		16,687	16,687
Share premium and reserves		135,701	166,153
		<u>152,388</u>	<u>182,840</u>
Equity attributable to owners of the Company		152,388	182,840
Non-controlling interests		7,221	8,054
Total equity		<u>159,609</u>	<u>190,894</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The Interim 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**”), the accounting policies and methods of computation used in the Interim Financial Statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

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 annual period beginning on or after 1 April 2022 for the preparation of the Interim Financial Statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial position and performance for the current and/or prior periods and/or on the disclosure set out in the Interim Financial Statements.

The Group has not applied any new and amendments to HKFRSs that have been issued but not yet effective for the current accounting period.

3. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 September 2022			
	Publishing and intellectual properties licensing <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Retailing and wholesales <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Time of revenue recognised:				
At a point in time				
— Comic book sales	3,466	—	—	3,466
— Royalty income from intellectual properties licensing	1,949	—	—	1,949
— New media advertising revenue	—	9,555	—	9,555
— Retailing of wine	—	—	2,012	2,012
Total	<u>5,415</u>	<u>9,555</u>	<u>2,012</u>	<u>16,982</u>
Principal	<u>5,415</u>	<u>9,555</u>	<u>2,012</u>	<u>16,982</u>
Geographical markets				
Hong Kong (place of domicile)	5,415	—	2,012	7,427
The People's Republic of China (the "PRC")	—	9,555	—	9,555
Total	<u>5,415</u>	<u>9,555</u>	<u>2,012</u>	<u>16,982</u>

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)
Time of revenue recognised:			
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	7,201	37,773	44,974
Principal	7,201	37,773	44,974
Geographical markets			
Hong Kong (place of domicile)	7,201	—	7,201
The PRC	—	37,773	37,773
Total	7,201	37,773	44,974

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 sold or services rendered. 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 operating and reportable segments of the Group 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 properties digitalisation and agency of intellectual properties services in the PRC; and
- Retailing and wholesales: retailing of wine.

Segment revenue and results

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

For the six months ended 30 September 2022 (unaudited)

	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	<u>5,415</u>	<u>9,555</u>	<u>2,012</u>	<u>16,982</u>
Segments results	<u>800</u>	<u>(9,137)</u>	<u>(376)</u>	<u>(8,713)</u>
Unallocated expenses				(14,118)
Unallocated income				366
Other gains and losses				<u>(1,457)</u>
Loss before tax				<u><u>(23,922)</u></u>

For the six months ended 30 September 2021 (unaudited)

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

Note: Premium wines with a carrying amount of HK\$34,879,000 (31 March 2022: HK\$34,905,000) were held by the Group as at 30 September 2022. The Group has made sales of its premium wines during the current interim period. 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, impairment loss on goodwill, share-based payment expenses and certain 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

For the six months ended 30 September 2022, other income included bank interest income of approximately HK\$73,000 (six months ended 30 September 2021: HK\$105,000), dividend income of approximately HK\$9,000 (six months ended 30 September 2021: HK\$49,000) and government grants of approximately HK\$565,000 (six months ended 30 September 2021: nil) 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	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss)/gain on fair value change of financial assets at FVTPL		
— held for trading	(380)	(241)
— others	(1,129)	1,140
(Loss)/gain on disposal of property and equipment	(13)	24
Gain on early termination of lease	—	860
Net foreign exchange (loss)/gain	(375)	40
	<u>(1,897)</u>	<u>1,823</u>

7. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

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 six months ended 30 September 2022, no impairment loss has been recognised in respect of goodwill for the Eqmen and Hyperchannel Info in profit or loss.

During the six months ended 30 September 2021, the Group recognised goodwill impairment of HK\$1,396,000 for the CGU of Hyperchannel Info.

* English name is for identification purpose only.

8. FINANCE COSTS

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank borrowings	—	805
Interests on lease liabilities	54	92
	<u>54</u>	<u>92</u>
	54	897
	<u>54</u>	<u>897</u>

9. LOSS BEFORE TAX

	Six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff costs, including directors' emoluments	12,693	19,163
Auditor's remuneration	835	1,288
Amortisation of intangible assets	501	1,212
Depreciation of right-of-use assets	845	2,023
Depreciation of property and equipment	84	302
Impairment loss on right-of-use assets (included in administrative expenses)	2,571	2,487
Share option granted to consultant (included in other expenses)	1,566	—
Impairment loss on intangible assets (included in other expenses)	—	1,334
Legal, consultancy and other professional fee (included in other expenses) (<i>Note</i>)	3,103	1,812
Provision for litigation claim (included in other expenses)	924	—
Research cost (included in other expenses)	3,972	6,736
	<u>3,972</u>	<u>6,736</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

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

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Deferred tax		
— Deferred tax credit	—	16
	<hr/>	<hr/>
Income tax credit	—	16
	<hr/> <hr/>	<hr/> <hr/>

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

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(20,851)</u>	<u>(20,171)</u>
Number of shares	2022	2021
	'000	'000
Weighted average number of shares for the purposes of basic loss per share	<u>1,668,657</u>	<u>1,614,580</u>

For the six months ended 30 September 2022 and 2021, diluted loss per share equals to basic loss per share as there was no dilutive potential share.

13. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	30 September 2022	31 March 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	18,006	22,478
Less: allowance for credit losses	<u>(2,985)</u>	<u>(3,760)</u>
	<u>15,021</u>	<u>18,718</u>

The Group allows the general credit period of ranging 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.

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
0 — 60 days	9,008	15,590
61 — 90 days	2,932	1,788
91 — 180 days	2,388	1,137
Over 180 days	693	203
	<u>15,021</u>	<u>18,718</u>

Trade receivables are interest-free and unsecured.

(b) Other receivables, deposits and prepayments

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
Other receivables	450	462
<i>Less:</i> allowance for credit losses	<u>(18)</u>	<u>(102)</u>
	<u>432</u>	<u>360</u>
Deposits and prepayments (<i>Note</i>)	8,642	4,566
<i>Less:</i> allowance for credit losses	<u>(422)</u>	<u>(24)</u>
	<u>8,220</u>	<u>4,542</u>
Total other receivables, deposits and prepayments	8,652	4,902
<i>Less:</i> amounts that will be settled or utilised within one year	<u>(8,187)</u>	<u>(4,902)</u>
Amount that will be settled or utilised for more than one year	<u>465</u>	<u>—</u>

Note: As at 30 September 2022, the amount mainly comprised of prepayments of approximately HK\$2,610,000 (31 March 2022: HK\$1,435,000) 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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022. Therefore, reversal of impairment loss under expected credit loss for trade receivables, amounted to approximately HK\$703,000 (six months ended 30 September 2021: nil), is 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.

	30 September 2022 HK\$'000 (unaudited)	31 March 2022 HK\$'000 (audited)
0 — 60 days	2,302	1,673
61 — 90 days	972	219
Over 90 days	2,614	470
	<u>5,888</u>	<u>2,362</u>

The average credit period on purchases of goods ranges from 15 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

15. RESTRICTED BANK DEPOSIT/CONTINGENT LIABILITY

A subsidiary of the Group, Hyperchannel Info, is a defendant in a legal action involving the alleged 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") during the year ended 31 March 2021 against Hyperchannel Info to terminate the signed contract and demand repayment amounting to RMB4,500,000 (equivalent to approximately HK\$4,959,000 (31 March 2022: equivalent to approximately HK\$5,539,000)). The customer has also requested the Court to restrict Hyperchannel Info's bank balance amounted to RMB4,500,000 (equivalent to approximately HK\$4,959,000 (31 March 2022: equivalent to approximately HK\$5,539,000)). In accordance with the order of seal up, distraint and freeze properties issued by the Court, the expiry date of restricted bank deposit extended to 13 July 2022. The second-instance judgment in respect of the litigation has not been made by the People's Intermediate Court of Shenzhen (the "Intermediate Court") at the end of the reporting period.

Subsequent to the end of the reporting period, on 14 October 2022, Hyperchannel Info received the second-instance judgment from the Intermediate Court, which rejected the appeal and upheld the original judgment. Based on the verdict issued from the Intermediate Court, Hyperchannel Info was ordered for payment of approximately RMB800,000 of service fee to the customer. The relevant amounts had been fully settled and accounted for in the Interim Financial Statements. On 10 November 2022, the restricted bank deposit was released accordingly upon the receipt of verdict by the bank.

16. 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, 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022, 27 June 2022, 29 September 2022 and 25 November 2022.

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 2022 is HK\$20,851,000 (30 September 2021: HK\$20,171,000), increased by 3.4% or the loss per share at HK1.2 cents as of 30 September 2022 (30 September 2021: HK1.2 cents per share).

The analysis of condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2022 is as follows:

1. Revenue

For the six months ended 30 September 2022, the Group's overall revenue decreased by approximately 62.2% to HK\$16,982,000 of which approximately HK\$5,415,000, HK\$9,555,000, and HK\$2,012,000 (2021: HK\$7,201,000, HK\$37,773,000 and HK\$nil) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing and retailing and wholesales respectively.

The revenue for the business of publishing and IPs licensing, decreased by approximately 24.8%. As a result of an decrease of revenue from publication of Japan comic books during the current interim period.

The revenue from the digital marketing business significantly decreased from HK\$37,773,000 to HK\$9,555,000 for the six months ended 30 September 2022. 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 their profits in general are reduced and some of them experienced significant reduction in profits. As a result, our customers continued to reduce their outsourcing of advertising and marketing activities. When facing this downward trend of business, the Group focused on improving the profit margin of projects undertaken and scaling back the size of operation to conserve cash and working capital.

The Group is working with a consultant to develop sales and distribution channels for its premium wine. The revenue of retailing and wholesales segment records the sales of premium wine of HK\$2,012,000 for the six months ended 30 September 2022 (30 September 2021: nil).

2. Gross profit and gross profit margins

The Group recorded a gross profit of approximately HK\$7,490,000 with gross profit margin of 44.1% for the six months ended 30 September 2022 as compared to the same period of 2021, which recorded a gross profit of HK\$12,655,000 with a gross profit margin of 28.1%.

3. Selling expenses

The selling expenses decreased from approximately HK\$8,957,000 for the six months ended 30 September 2021 to approximately HK\$2,250,000 for the six months ended 30 September 2022. The decrease was mainly due to the decrease in the revenue from the segment of digital marketing business during the current interim period.

4. Administrative expenses

The Group recorded an aggregate administrative expenses from operations of approximately HK\$18,490,000 for the six months ended 30 September 2022 (2021: HK\$19,065,000).

The major expenses components for the six months ended 30 September 2022 were staff cost of approximately HK\$10,807,000 (2021: HK\$10,192,000), audit fee of approximately HK\$835,000 (2021: HK\$1,288,000), depreciation of right-of-use assets of approximately HK\$845,000 (2021: HK\$2,023,000), listing and corporate services fee of approximately HK\$448,000 (2021: HK\$296,000), operating lease rentals in respect of rental premises of approximately HK\$497,000 (2021: HK\$305,000) and impairment loss of right-of-use assets of approximately HK\$2,571,000 (2021: HK\$2,487,000). The expenses of approximately HK\$2,187,000 for the six months ended 30 September 2022 (2021: nil) in relation to share options granted to a director by the Company was recognised.

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

5. Other expenses

The other expenses from operations recorded the research cost of approximately HK\$3,972,000 (2021: HK\$6,736,000) for development the online platform of digital marketing and the legal, consultancy and other professional fee of approximately HK\$3,103,000 (2021: HK\$1,812,000) paid to consultants providing professional advices and business operations. Service fee for litigation claim of RMB800,000 (equivalent to approximately HK\$924,000) was accounted for during the six months ended 30 September 2022 (2021: nil). The expenses of approximately HK\$1,566,000 for the six months ended 30 September 2022 (2021: nil) in relation to share options granted to a consultant by the Company was recognised.

6. Loss for the period

The Group recorded a loss from operations of approximately HK\$23,922,000 (2021: HK\$25,657,000).

Also, as at 30 September 2022, the Group has net asset of approximately HK\$159,609,000 (31 March 2022: HK\$190,894,000) and net asset value per share of HK\$0.10 (31 March 2022: HK\$0.11).

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 September 2022, the Group had bank balances with financial institutions in aggregate of approximately HK\$103,879,000, restricted bank deposit of HK\$4,959,000 and a total of financial assets at fair value through profit or loss of approximately HK\$8,554,000.

The Group has no significant exposure to foreign exchange rate fluctuation except for the transactions that are denominated in United States dollars (“USD”) and HK\$ relative to RMB.

As of 30 September 2022, the Group had a net current asset of approximately HK\$150,287,000 (31 March 2022: HK\$179,547,000) and a current ratio of 8.9 (31 March 2022: 12.9). The Group’s total liabilities as of 30 September 2022 amounted to approximately HK\$20,502,000 (31 March 2022: HK\$15,119,000) and the gearing ratio of the Group represented approximately 13.5% (31 March 2022: 8.3%) 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 2022, the Group had a total of 54 employees of which 32 are based in Hong Kong and 22 in the PRC. Total staff costs (excluding share-based payments of HK\$2,187,000) incurred for the six months ended 30 September 2022 amounted to approximately HK\$10,506,000 (30 September 2021: HK\$19,163,000). 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.

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 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 September 2023. The Directors will continue to evaluate the Group’s operations and financial performance when applying the proceeds.

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:

	Use of net proceeds from the Share Subscription	Planned use of proceeds	Approximate percentage of total net proceeds	Actual use of net proceeds up to 30 September 2022	Unused total net proceeds up to 30 September 2022
1	Working capital for building and strengthening the marketing and technical team	HK\$8.6 million	20.8%	HK\$8.4 million	HK\$0.2 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%	HK\$4.8 million	HK\$7.1 million
4	General working capital	HK\$5.7 million	13.8%	HK\$5.1 million	HK\$0.6 million

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, 29 October 2021, 29 December 2021, 28 February 2022, 29 April 2022, 27 June 2022, 29 September 2022 and 25 November 2022 respectively.

ACQUISITION OF EQUITY INTEREST OF SUBSIDIARIES

During the current interim period, the Group has acquired of (i) additional of 5% equity interest in a subsidiary from an independent third party for a cash consideration of HK\$2,800,000; and (ii) additional of 15% equity interest in a subsidiary from an independent third party for a cash consideration of HK\$2,000,000. These acquisitions were completed and equity interests were transferred to the Group from independent third parties.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 September 2022, the Group did not have any significant capital commitment. (31 March 2022: Nil).

Save as disclosed in note 15 to the condensed consolidated interim financial statements, the Group did not have any other significant contingent liabilities as at 30 September 2022.

BUSINESS REVIEW

During the six months ended 30 September 2022, the Group had experienced a significant reduction in business volume, revenue decreased from HK\$45.0 million to HK\$17.0 million, a decrease of 62.0%, comparing to corresponding period of last year. Covid-19 pandemic has continued to impact adversely the general economy, in particular the service sector. The business activities of core Intellectual Properties (“**IPs**”) related business and digital marketing (“**Digital Marketing**”) was particularly hit hard, suffering from continuous lower business volume and the facing of a spiraling down turn with no visible sign of a reverse soon. During the last interim period, the Group has held back on its plan of

expanding the Digital Marketing business which continued to the current period, leading to further scaling back of its size of operation to conserve cash and working capital. While the Group believes recovery of the general economy is perhaps on its way in the coming fiscal year, the Group is struggling to maintain its core marketing and technical team to serve its customers. Although while facing lower business activities and recovery may take awhile, the Group has continued to invest in research and development activities. During the interim period, the research and development activities and related to Digital Marketing of HK\$3.6 million have been provide for during the interim period as compared to HK\$6.7 million provided in the last period. Since last interim period, the Group is forging a cooperative arrangement or joint venture, by direct applications of its digital marketing employing big data analysis, with an international advertising and marketing group to traditional advertising customers. But business volume of this new business segment has yet to achieve a significant volume to become profitable.

Business activities of digitalisation and commercialisation of IPs and content creation dropped substantially as gifts or accessories, promotional or hosting events has come to a halt during the Covid-19 pandemic lockdowns. As a result, streamlining the business operation of Digital Marketing is the goal during the period.

In scaling back the operation size of Digital Marketing to conserve cash and working capital, Selling, Administrative (excluding share-based payment expenses) and Other expenses decreased by 29.8% from HK\$37.9 million to HK\$26.6 million during the six-month ended 30 September 2022 comparing to corresponding period of last year. The operation of the two 55%-owned subsidiaries, namely Beijing Skyvior Technology Co. Ltd. (北京乾智傳視科技有限公司) and Beijing Hyperchannel Info. Tech., Ltd. (北京匯傳網絡信息科技有限公司) were consolidated. In total, manpower in Digital Marketing have significantly been reduced from 84 at the beginning of the period to 22 as at 30 September 2022.

PUBLISHING AND IP LICENSING BUSINESS

Revenue decreased from HK\$7.2 million to HK\$5.4 million during the corresponding interim periods. The Group continues to put more effort in broadening the scope of licensing business and enticing customers to encompass the use of digital images.

RETAIL AND WHOLESALERS BUSINESS

Sales and distribution of premium wines have picked up a one time lot size sales of HK\$2.0 million in face 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 interim period, the Group has scaled back on its commitment of resources and halted almost entirely the planned level of investment in Digital Marketing other than research and development activities. The Group aims at the maintenance of a core Digital Marketing team to keep its presence in the markets. It is difficult to see the revival of business activities to a level enticing increase in investment in the near future. The Group expects the overall atmosphere of the Digital Marketing activities would see its worse before recovering if and when the Covid-19 lockdowns are removed.

The Group 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 of Digital Marketing services has been scaled back due to the slowdown of the general economy and business activities. Out of the HK\$8.6 million allocated for the strengthening and building a stronger marketing and technical team, about HK\$8.4 million were specifically incurred for this purpose, mostly for development of systems and programs. The HK\$5.7 million allocated for general working capital, out of which HK\$5.1 million had been used as planned. The Group is cautious in controlling its costs and expenses as the business environment becoming more stagnate 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 (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 focuses on 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 an enlarged basis. The acquisition is pending the completion of formalities and approval by shareholders.

On 18 November 2022, subsequent to the end of the six months period ended 30 September 2022, the Group announced a strategic alliance with iFlytek Co., Ltd. (科大訊飛股份有限公司) (“**iFlytek**”) which is a well-known listed company in intelligent speech and AI technologies in the Asia-Pacific region (Shenzhen Stock Exchange Stock Code: 002230), and Imitation Brain Technology (Shenzhen) Co., Ltd. (仿腦科技(深圳)有限公司) (“**Imitation Brain**”) to develop and produce an offline Chinese language voice recognition chip that has broad applications for various electronic devices or application environments. The Group has in the past been investing in the research and development of artificial intelligence for Chinese language recognition. The Group is expecting this first application of such technology will yield the first fruitful result of years of efforts in supporting the research and development of artificial intelligence for Chinese language recognition. The Group believes the AI speech recognition chips (i.e. language chips), being one of the core components of IoT interactions, will be applied in the market research in Digital Marketing as an analysis tool and will be broadly used.

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 2022.

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 2022.

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 2022 except for the following deviations:

CODE PROVISION B.2.2

Under the code provision B.2.2, 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) 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 F.2.2

Under the code provision F.2.2, the Chairman of the Board should attend the annual general meeting. On 27 April 2022, the Company has appointed Mr. Wong Kon Man Jason as Non-executive Director and Chairman of the Board of the Company to fill up the vacancy of Chairman. The Chairman had attended the annual general meeting held on 23 August 2022.

MINIMUM NUMBERS OF CORPORATE GOVERNANCE COMMITTEE

According to the written terms of reference, the Corporate Governance Committee (the “CGC”) comprised of 4 members. Following the resignation of Mr. Huang Mingguo on 2 July 2021, Ms. Hung Wai Kwan on 8 August 2021, and the appointment of Mr. Wong Kon Man Jason and Mr. Yue Chi Wing on 28 June 2022, the Company currently comprises of four Corporate Governance Committee members, Mr. Kwan Kin Chung, Ms. Chow Lai Wah Livia, Mr. Wong Kon Man Jason and Mr. Yue Chi Wing respectively. The Company has then complied with the written terms of reference of Corporate Governance Committee.

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 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at 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, 29 November 2022

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

* *for identification purposes only*