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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 2023

#### 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 2023 together with the comparative figures for the corresponding period of 2022 are as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

		Six months ended 30 September	
		2023	2022
	NOTES	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	9,355	16,982
Cost of sales		(3,549)	(9,492)
Gross profit		5,806	7,490
Other income	5	1,073	695
Other gains or losses	6	(5,503)	(1,897)
Impairment loss under expected credit loss model, net of reversal		161	369
Other impairment loss		—	(2,571)
Selling expenses		(1,321)	(2,250)
Administrative expenses		(15,535)	(15,919)
Other expenses	9	(3,554)	(9,565)
Finance costs	8	(47)	(54)
Share of loss of an associate		(248)	(220)
Loss before tax	9	(19,168)	(23,922)
Income tax expense	10	(142)	—
<b>Loss for the period</b>		<b>(19,310)</b>	<b>(23,922)</b>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2023</b>	<b>2022</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
	<i>NOTE</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive expense</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		<b>(8,007)</b>	(20,426)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		<b>(438)</b>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>2,691</b>	14,111
Other comprehensive expense for the period		<b>(5,754)</b>	(6,315)
Total comprehensive expense for the period		<b>(25,064)</b>	(30,237)
Loss for the period attributable to:			
— owners of the Company		<b>(13,931)</b>	(20,851)
— non-controlling interests		<b>(5,379)</b>	(3,071)
		<b>(19,310)</b>	(23,922)
Total comprehensive expense for the period attributable to:			
— owners of the Company		<b>(19,719)</b>	(26,758)
— non-controlling interests		<b>(5,345)</b>	(3,479)
		<b>(25,064)</b>	(30,237)
<b>Loss per share</b>			
Basic and diluted (HK cents)	<i>12</i>	<b>(0.8)</b>	(1.2)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2023

	<i>NOTES</i>	30 September 2023 <i>HK\$'000</i> (unaudited)	31 March 2023 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property and equipment		78	89
Right-of-use assets		420	617
Interests in an associate		517	765
Intangible assets		5,769	6,013
Rental deposits	13	466	466
Financial assets at fair value through profit or loss ("FVTPL")		248	6,301
Deferred tax asset		31	31
		7,529	14,282
<b>Current assets</b>			
Inventories		34,393	34,359
Trade receivables	13	7,953	8,674
Other receivables, deposits and prepayments	13	40,604	41,374
Financial assets at FVTPL		2,256	2,320
Cash and cash equivalents		50,309	61,497
		135,515	148,224
<b>Current liabilities</b>			
Trade payables	14	1,075	1,419
Other payables and accrued charges	14	11,882	10,662
Loan from a shareholder		3,000	—
Loan from a director		3,000	—
Lease liabilities		1,465	2,190
Tax payable		248	478
		20,670	14,749
<b>Net current assets</b>		114,845	133,475
<b>Total assets less current liabilities</b>		122,374	147,757
<b>Non-current liability</b>			
Lease liabilities		—	357
<b>Net assets</b>		122,374	147,400
<b>Capital and reserves</b>			
Share capital		16,687	16,687
Share premium and reserves		101,457	121,863
Equity attributable to owners of the Company		118,144	138,550
Non-controlling interests		4,230	8,850
<b>Total equity</b>		122,374	147,400

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements (the “**Interim Financial Statement**”) 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

#### 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 2023 for the preparation of the Interim Financial Statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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 2023

	Publishing and intellectual properties ("IPs") licensing <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Retailing and wholesales <i>HK\$'000</i> (unaudited)	Natural language processing <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Timing of revenue recognition:</b>					
At a point in time:					
— Comic book sales	6,275	—	—	—	6,275
— Royalty income from IPs licensing	1,299	—	—	—	1,299
— New media advertising revenue	—	1,781	—	—	1,781
	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>
Total	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>
Principal	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>
<b>Geographical markets:</b>					
Hong Kong (place of domicile)	7,574	—	—	—	7,574
The People's Republic of China (the "PRC")	—	1,781	—	—	1,781
	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>
Total	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>

For the six months ended 30 September 2022

	Publishing and IPs 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)
<b>Timing of revenue recognition:</b>				
At a point in time:				
— Comic book sales	3,466	—	—	3,466
— Royalty income from IPs licensing	1,949	—	—	1,949
— New media advertising revenue	—	9,555	—	9,555
— Sales 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>
<b>Geographical markets:</b>				
Hong Kong (place of domicile)	5,415	—	2,012	7,427
PRC	—	9,555	—	9,555
Total	<u>5,415</u>	<u>9,555</u>	<u>2,012</u>	<u>16,982</u>

#### 4. SEGMENT INFORMATION

Information reported to the executive directors, being the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the 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 IPs licensing: publication of comic books and royalty income from licensing IPs of comics.
- Digital marketing: providing digital marketing and communication, IPs digitalisation and agency of IPs services in the PRC.
- Retailing and wholesales: retailing of wine.
- Natural language processing: AI speech technology with real-time human interaction, including design and implementation in both software and embedded chipset domains.

### 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 2023 (unaudited)

	Publishing and IPs licensing <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i> <i>(Note)</i>	Natural language processing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External sales	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</u>
Segment results	<u>880</u>	<u>(360)</u>	<u>(270)</u>	<u>(1,491)</u>	<u>(1,241)</u>
Unallocated expenses					(12,644)
Unallocated income					78
Other gains and losses					<u>(5,361)</u>
Loss before tax					<u>(19,168)</u>

For the six months ended 30 September 2022 (unaudited)

	Publishing and IPs 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>
Segment results	<u>800</u>	<u>(9,137)</u>	<u>(376)</u>	(8,713)
Unallocated expenses				(14,118)
Unallocated income				366
Other gains and losses				<u>(1,457)</u>
Loss before tax				<u>(23,922)</u>

*Note:* Premium wines with a carrying amount of approximately HK\$33,626,000 (31 March 2023: HK\$33,637,000) were held by the Group as at 30 September 2023. 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, (loss) gain on fair value change of financial assets at FVTPL, equity-settled share-based payment expenses, gain on disposal of a subsidiary 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

For the six months ended 30 September 2023, other income mainly included bank interest income of approximately HK\$95,000 (six months ended 30 September 2022: HK\$73,000), recovery of trade receivables previously impaired of approximately HK\$884,000 (six months ended 30 September 2022: HK\$Nil), dividend income from financial assets at FVTPL of approximately HK\$72,000 (six months ended 30 September 2022: HK\$9,000) and government grants of approximately HK\$Nil (six months ended 30 September 2022: HK\$565,000) in respect of Covid-19-related subsidies under Employment Support Scheme provided by the Hong Kong government.

## 6. OTHER GAINS OR LOSSES

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) gain on fair value change of financial assets at FVTPL		
— held for trading	114	(380)
— others	(6,296)	(1,129)
Gain (loss) on disposal of property and equipment	3	(13)
Gain on disposal of a subsidiary	823	—
Net foreign exchange losses	(147)	(375)
	<u>(5,503)</u>	<u>(1,897)</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.

Goodwill allocated to the Hyperchannel Info was disposed during the six months ended 30 September 2023.

During the six months ended 30 September 2023, no impairment loss was recognised in respect of goodwill for Eqmen in profit or loss.

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

\* English name is for identification purpose only.

## 8. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interests on lease liabilities	47	54

## 9. LOSS BEFORE TAX

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff costs, including directors' emoluments	10,231	12,693
Auditor's remuneration		
—Audit service	665	615
—Non-audit service	250	220
Amortisation of intangible assets	244	501
Depreciation of property and equipment	34	84
Depreciation of right-of-use assets	197	845
Impairment loss on right-of-use assets	—	2,571
Legal, consultancy and other professional fees (included in other expenses) ( <i>Note i</i> )	3,054	3,103
Provision for litigation claim (included in other expenses)	—	924
Research cost (included in other expenses)	500	3,972
Equity-settled share-based payments (included in other expenses) ( <i>Note ii</i> )	—	1,566

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

*Note ii:* It represents share options granted to external consultant in exchange for services rendered to the Group.

## 10. INCOME TAX EXPENSE

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 for both interim periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
— Hong Kong Profits Tax	142	—
Deferred tax		
— Deferred tax credit	—	—
Income tax expense	<u>142</u>	<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

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><b>(13,931)</b></u>	<u><b>(20,851)</b></u>
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of shares for the purpose of basic and diluted loss per share	<u><b>1,668,657</b></u>	<u><b>1,668,657</b></u>

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the assumed conversion would result in a decrease in loss per share for the six months ended 30 September 2023 and 2022.

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

### (a) Trade receivables

	<b>30 September</b>	<b>31 March</b>
	<b>2023</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables	<b>10,170</b>	11,224
Less: allowance for credit losses	<u><b>(2,217)</b></u>	<u><b>(2,550)</b></u>
	<u><b>7,953</b></u>	<u><b>8,674</b></u>

The Group allows the general credit period of ranging from 0 to 120 days to customers of publishing and IPs 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 2023 HK\$'000 (unaudited)</b>	31 March 2023 HK\$'000 (audited)
0 — 60 days	1,247	6,980
61 — 90 days	1,173	381
91 — 180 days	2,729	1,281
Over 180 days	2,804	32
	<u>7,953</u>	<u>8,674</u>

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

	<b>30 September 2023 HK\$'000 (unaudited)</b>	31 March 2023 HK\$'000 (audited)
Other receivables	5,359	2,762
<i>Less:</i> allowance for credit losses	(204)	(44)
	<u>5,155</u>	<u>2,718</u>
Deposits and prepayments ( <i>Note</i> )	35,919	39,130
<i>Less:</i> allowance for credit losses	(4)	(8)
	<u>35,915</u>	<u>39,122</u>
Total other receivables, deposits and prepayments	41,070	41,840
<i>Less:</i> amounts that will be settled or utilised within one year	(40,604)	(41,374)
	<u>466</u>	<u>466</u>

*Note:* As at 30 September 2023, the amount mainly comprised of deposit paid for intangible assets of approximately HK\$34,835,000 (31 March 2023: HK\$34,835,000) made to independent third parties under natural language processing 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 Interim Financial Statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2023. Therefore, reversal of impairment loss under expected credit loss for trade and other receivables, amounted to approximately HK\$566,000 (six months ended 30 September 2022: HK\$850,000), 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.

	<b>30 September 2023 HK\$'000 (unaudited)</b>	31 March 2023 HK\$'000 (audited)
0 — 60 days	992	1,031
61 — 90 days	—	308
Over 90 days	83	80
	<u>1,075</u>	<u>1,419</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.

As at 30 September 2023, other payables and accrued charges mainly included deposit received approximately HK\$313,000 (31 March 2023: HK\$313,000), accrued operating expenses approximately HK\$8,089,000 (31 March 2023: HK\$7,354,000) and accrued salaries approximately HK\$2,996,000 (31 March 2023: HK\$2,255,000).

#### 15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

#### 16. EVENT AFTER REPORTING PERIOD

- a) 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, 25 November 2022, 30 January 2023, 28 April 2023, 30 June 2023 and 28 September 2023 respectively.
- b) On 15 June 2023, the Group set up the liquidation group to liquidate Eqmen and Beijing Star Engine Information Technology Co. Ltd.\* (北京星河引擎信息科技有限公司) in accordance with the applicable laws and regulations in the PRC. The Group will derecognize all the assets and liabilities of both subsidiaries after the completion of the liquidation. Details of the liquidation were disclosed in the announcement of the Company dated 15 June 2023. As of the reporting date, these voluntary liquidations have not yet been completed.

\* *English name is for identification purpose only*

## 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 2023 decreased by approximately 33.2% to HK\$13,931,000 or HK0.8 cents per share as of 30 September 2023 (30 September 2022: loss of HK\$20,851,000 or 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 2023 is as follows:

#### 1. Revenue

For the six months ended 30 September 2023, the Group's overall revenue from operations significantly decreased by approximately 44.9% from HK\$16,982,000 to HK\$9,355,000 of which approximately HK\$7,574,000, HK\$1,781,000, and HK\$Nil (2022: HK\$5,415,000, HK\$9,555,000 and HK\$2,012,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing, digital marketing and retailing and wholesales respectively.

The revenue from the digital marketing business saw a substantial decline, dropping from around HK\$9,555,000 in the six months ending 30 September 2022 to HK\$1,781,000 in the same period of 2023. This decrease in revenue was influenced by the downsizing of operations. In response to the business's downward trajectory, the Group has prioritized cash and working capital conservation. Following the end of the 2023 fiscal year, the Group began the voluntary winding up of the indirect non-wholly owned subsidiaries and disposed of them (details see description below).

The revenue for publishing and IPs licensing business was boosted with an increase of approximately 39.9%. The revenue for the business of publishing and IPs licensing is escalated compared with the same period last year due to more acquired licences for Japanese comics resulting increased publication sales.

The revenue of retailing and wholesales segment records the sales of premium wine of HK\$Nil for the six months ended 30 September 2023 (2022: HK\$2,012,000). While the Hong Kong economy experienced a resurgence following the lifting of Covid-19 lockdowns in the first quarter of 2023, the pace of recovery has since slowed due to the rebound in the previous quarter. There were no good opportunities to sale the premium wine in lot. The Group is continuously working with consultant to develop sales and distribution channels for its premium wine.

## **2. Gross profit and gross profit margin**

The Group recorded a gross profit of approximately HK\$5,806,000 with gross profit margin of 62.1% for the six months ended 30 September 2023 as compared to the same period of 2022, which recorded a gross profit of HK\$7,490,000 with a gross profit margin of 44.1%. The increase of margin percentage was due to restructure of digital marketing business segment which largely reduced the production cost.

## **3. Selling expenses**

The selling expenses decreased from approximately HK\$2,250,000 for the six months ended 30 September 2022 to approximately HK\$1,321,000 for the six months ended 30 September 2023. The decrease was mainly due to the restructure of digital marketing business during the current interim period.

## **4. Administrative expenses**

For the six months ended 30 September 2023, the Group reported total administrative expenses from operations of about HK\$15,535,000, a decrease from HK\$15,919,000 in 2022.

The main expense components for this period included staff costs of approximately HK\$9,828,000 (2022: HK\$10,807,000), audit and non-audit services fee of approximately HK\$915,000 (2022: HK\$835,000), entertainment of approximately HK\$622,000 (2022: HK\$315,000), advertising and promotion expenses of approximately HK\$1,004,000 (2022: HK\$34,000), and listing and corporate services fee of approximately HK\$335,000 (2022: HK\$448,000).

The reduction in administrative expenses from operations is primarily attributed to reduced business activities in the digital marketing business segment and ongoing efforts to streamline operations and control costs.

## **5. Other impairment losses**

For the six months ended 30 September 2023, there is no right-of-use assets recognised from the assessment of the assets recoverability (30 September 2022: approximately HK\$2,571,000).

## **6. Other expenses**

In the current interim period, approximately HK\$3,054,000 was spent on legal, consultancy, and other professional fees (2022: HK\$3,103,000). This amount was used to pay for legal services from lawyers and professional advice on business operations and development from consultants. The research cost for the development of the online platform of the digital marketing business was approximately HK\$500,000 (2022: HK\$3,972,000). No service fee was provided for litigation claims (2022: HK\$924,000) or expenses in relation to share options granted to the consultant (2022: HK\$1,566,000) during the current interim period.

## **7. Loss for the period**

The Group recorded a loss from operations of approximately HK\$19,310,000 (2022:HK\$23,922,000).

Also, as of 30 September 2023, the Group has a net asset of approximately HK\$122,374,000 (31 March 2023: HK\$147,400,000) and net asset value per share of HK\$0.07 (31 March 2023: HK\$0.09).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 30 September 2023, the Group had cash and bank balances with financial institutions in aggregate of approximately HK\$50,309,000 and a total of financial assets at fair value through profit or loss of approximately HK\$2,504,000.

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

As of 30 September 2023, the Group had a net current asset of approximately HK\$114,845,000 (31 March 2023: HK\$133,475,000) and a current ratio of approximately 6.6 (31 March 2023: 10.0). The Group’s total liabilities as of 30 September 2023 amounted to approximately HK\$20,670,000 (31 March 2023: HK\$15,106,000) and the gearing ratio of the Group represented approximately 17.5% (31 March 2023: 10.9%) to equity attributable to owners of the Company.

In conclusion, the Directors are confident that the Group will have sufficient liquidity to finance its daily operations. As always, we remain prudent and conservative in managing our financial position to maintain maximum financial flexibility.

## **DEPOSIT PAID FOR INTANGIBLE ASSET**

As mentioned in Note 13, the Group had deposit paid for the natural language processing technology development and production of software and chipset, approximately HK\$34,835,000 in total for the period ended 30 September 2023. Such intangible asset is for the design and implementation in both software and embedded chipset domains and to produce kinds of offline Chinese language voice recognition chips that can be broadly applied to various electronic devices or application environments.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As of 30 September 2023, the Group had a total of 55 employees of which 38 are based in Hong Kong and 17 in the PRC. Total staff costs from operations incurred for the six months ended 30 September 2023 amounted to approximately HK\$10,230,000 (30 September 2022: HK\$10,506,000, excluding share-based payment of HK\$2,187,000). The management periodically reviews remuneration packages to ensure they remain competitive. Certain directors and employees may receive discretionary bonuses and incentive share options based on the Group performance and their individual merit and performance.

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

Reference is made to (i) the announcements issued by the Company on 1 March 2021, 30 April 2021, 6 May 2021 and 12 June 2023; and (ii) 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 Subscription was approved by the shareholders of the Company at the Special General Meeting on 30 April 2021.

As disclosed in the circular of the Company dated 9 April 2021, the Company intended to use the net proceeds from the Subscription of approximately HK\$41,400,000 as follows:

1. approximately HK\$8,600,000 as working capital for building and strengthening the marketing and technical team;
2. approximately HK\$15,200,000 as working capital for provision of management services for key opinion leaders;
3. approximately HK\$11,900,000 for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability; and
4. approximately HK\$5,700,000 as general working capital of the Group.

As at 31 March 2023, the net proceeds from the Subscription intended to be utilised as working capital for provision of management services for key opinion leaders (i.e. approximately HK\$15,200,000) has not been utilised accordingly; and approximately HK\$2,220,000 intended for potential acquisition opportunities to enhance the Group's competitiveness and long-term sustainability has not been utilised. Therefore, total HK\$17,420,000 of the net proceeds from the Subscription has not been utilised as at 31 March 2023.

On 12 June 2023, after careful consideration and evaluation of the Group's operations and business strategy, the Directors resolved to change the use of the net proceeds raised from the Subscription which has not been utilised, in the amount of approximately HK\$17,420,000, to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilized by the Group by 31 March 2024.

## **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. (仿腦科技(深圳)有限公司) (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 is subject to the approval by the shareholders of the Company at Special General Meeting. Details of the Proposed Acquisition were 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, 25 November 2022, 30 January 2023, 28 April 2023, 31 July 2023 and 28 September 2023 respectively.

### **PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

Reference is made to the announcements issued by the Company on 12 June 2023, 30 June 2023 and 24 July 2023. On 12 June 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agrees to procure, as agent of the Company, for no less than six Placees to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$100,000,000 at the initial Conversion Price of HK\$0.50 (subject to adjustment) per Share on a best effort basis. Upon full conversion of the Convertible Bonds, a maximum of 200,000,000 Conversion Shares will be allotted and issued to the Placees. The gross proceeds from the Placing will be up to HK\$100,000,000. The net proceeds from the Placing (after deducting the commission for the Placing and other costs and expenses) will be approximately HK\$98,500,000.

The placing of the Convertible Bonds was terminated on 24 July 2023.

## DISPOSAL OF A NON-WHOLLY OWNED SUBSIDIARY AND VOLUNTARY LIQUIDATION OF TWO NON-WHOLLY OWNED SUBSIDIARIES

Following the action of streamlining and consolidation the digital marketing business since the beginning of the last fiscal year, there is organization structure simplification.

For the six months ended 30 September 2023, the Group entered into an agreement to dispose of the entire equity interest in Hyperchannel Info Tech., Ltd.\* 北京匯傳網絡信息科技有限公司 (“**Hyperchannel Info**”), an indirect non-wholly owned subsidiary of the Company, to an independent third party for a total cash consideration of RMB50,000 and this disposal was completed.

On 4 April 2023, the Group entered into an agreement with an independent third party to dispose 7% equity interests of 飛龍芯類腦智慧科技(珠海)有限公司 (“**飛龍芯**”) with no consideration. Accordingly, the Group’s effective interests in 飛龍芯 has been reduced from 100% to 93%. The carrying amount of the partial interests in 飛龍芯 disposed by the Group of approximately HK\$687,000 was credited to equity as non-controlling interests during the six months ended 30 September 2023. The disposal was completed and the Group transferred respective equity interests of 飛龍芯 to an independent third party.

On 15 June 2023, the Group announced that the shareholders of Beijing Eqmen Technology Limited (北京易奇門科技有限公司) (“**Eqmen**”), and the shareholders of Beijing Star Engine Information Technology Co., Ltd. (北京星河引擎信息科技有限公司) (“**Beijing Star Engine**”), have passed resolution to set up liquidation group to liquidate Eqmen and Beijing Star Engine in accordance with the applicable laws and regulations in the PRC. These voluntary liquidation has not been completed as of the reporting date.

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

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 September 2023, the Group did not have any significant capital commitment (31 March 2023: Nil).

The Group did not have any other significant contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

## **BUSINESS REVIEW**

The overall economy needs time to recover after the Covid-19 pandemic, the Group continued to face a rather challenging year. While business seems picking up gradually in the People's Republic of China (the “**PRC**”), consumer spending pattern is changing and overall business activities are still weak needing further stimulus to maintain a steady growth trend. Against such acute business and economic environment, the Group's focus on conserving resources, restructuring operations, and taking actions to control and reduce costs and expenses, helped the Group to preserve its resources. During the six-month period ended 30 September 2023, total revenue has decreased 44.9% from HK\$16,982,000 in 2022 to HK\$9,355,000 in 2023.

### **Digital Marketing**

In streamlining its operations, the remaining operating subsidiary of digital market in Beijing is Beijing Skyvior Technology Co. Ltd. (“**Beijing Skyvior**”), this is after the operations of Hyperchannel Info Tech., Ltd. (“**Hyperchannel Info**”), which engaged in digital marketing, applying big data analysis in matching intellectual properties (“**IPs**”) to assist customers in marketing products and services, were consolidated with Beijing Skyvior in last year. Also, our 80.1% subsidiary of Beijing Star Engine Information Technology Co. Ltd. (“**Beijing Star Engine**”), which was engaged in providing technical support and services of our digital marketing team to our customers, has commenced the process of voluntarily winding up.

The digital marketing segment is currently at a cross-road, with Beijing Eqmen Technology Limited (“**Eqmen**”), an indirectly non-wholly owned subsidiary. At its final stage of voluntary winding-up, the remaining operation of the digital marketing segment in Beijing and Guangzhou, is downsized significantly and total number of employees is reduced from 22 to 4. The consolidation resulted significant cost savings. However, the revenue declined drastically, as the prospect of business recovering was unknown and the operation suffered a considerable brain drain. In scaling back the digital marketing operation, the Company is expected to retrieve and receive cash from distributions of the net assets upon completion of the voluntary winding up, the cash will be retained and applied as general working capital of the Group.

### **Publishing and IPs Licensing Business**

The publishing and IPs licensing business is stable. Revenue from this segment, were HK\$7,574,000 in 2023 and HK\$5,415,000 in 2022. The Company is putting more effort on publication book sales of IPs' owned or under licenses, and to broaden the scope of licensing business. Other than IPs licensing, the Group is planning to expand including publishing and distribution of certain comic title in the last quarter of this fiscal year.

## **Retailing and Wholesales Business**

The Group's premium wine is primary for consumption by high-end consumer groups or restaurants. As the lockdowns of bars and entertainment outlets were lifted earlier this year, the Group expects the sale of premium wine should revive gradually due to recovery of the economy. The Group also put focus on selling the wine in large lots to generate positive cash flow and moving the inventory.

## **Natural Language Processing**

The prolonged Covid-19 pandemic had caused adverse effect on business and slowed down or delayed new business development. The Board strives hard to maximize value for the shareholders by pursuing all potential viable investment and business opportunities and expanding its business segments in order to broaden the revenue and profit base of the Group. The Group has in the past been investing in the research and development of artificial intelligence for Chinese language recognition. Since last fiscal year-end, the Group, with its aspirations on artificial intelligence technology and previous research and development, invested in the development and production of software and chipset with natural language processing technology, with a focus on Chinese language voice recognition, which is anticipated to have broad applications.

On 18 November 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) to develop AI speech technology real-time human interaction, including design and implementation in both software and embedded chipset domains and produce kinds of offline Chinese language voice recognition chips that can be broadly applied to various electronic devices or application environments. 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.

The Group has been concentrating on improving AI speech technology during the current fiscal year. The focus of is on developing and improving software on facilitating real-time interaction with humans. During the six-month period ending on 30 September 2023, the operational expenditure amounted to approximately HK\$1.5 million. This was primarily due to costs associated with personnel and business promotion. Headcount employed for this business segment now stands at 13 and the Group will continue to hire professionals in building a technical and business development team. The Group is committed to the design and implementation in both the software and embedded chipset sectors.

## PROSPECT

The Group completed the subscription of new shares under specific mandates to an investor in May 2021, net raising approximately HK\$41,575,000 to strengthen the financial position of the Group, adding working capital to fund operation, new projects and business development. Due to scaling back of operation of the digital marketing segment, the Company decided to change the use of the remaining unutilized net proceeds from the Subscription in the amount of approximately HK\$17,420,000 to be used as general working capital of the Group including but not limited to salaries and benefits, rental and utilities, other general and administrative expenses for the Group, which is expected to be fully utilized by the Group in the current fiscal year.

On 12 June 2023, the Company announced the placement of convertible bonds to raise cash of HK\$98,500,000, net of which about HK\$68,950,000 will be used to the injection of capital for the natural language processing technology development and production of software and chipset, and marketing expenses for products (the “**Natural Language Processing Business**”); about HK\$19,700,000 will be utilized for working capital for the revitalization and promotion of the Group’s intellectual properties; and the remaining HK\$9,850,000 will be retained for general working capital of the Group, including the payment of salary, rental expenses, IT services and other office overhead of the Group. Due to the overall weak market sentiment and the inadequate liquidity in the market, the placement of convertible bonds has been suspended in July this year; the Group continues to put effort in new financing to provide more working capital for the Group, in particular in investing in the Chinese language AI software development.

We are seeing a pivotal change of operation with focus on the natural language processing business, while maintaining the other business segments at sustainable level and generating profits for the Group. In total, the manpower as of 30 September 2023 is 55 as compared to 54 at 30 September 2022.

The Group continues to enhance AI speech technology real-time human interaction with our strategic alliance, iFlytek and Imitation Brain including design and implementation in both software and embedded chipset domains and produce an offline Chinese language voice recognition chip that has broad applications for various electronic devices or application environments. The Group has reached to various industries and is expecting the application of artificial intelligence for Chinese language recognition to products in the second half of the fiscal year. The Group believes, with the commercialization of AI speech technology real-time human interaction, it will contribute significant revenues to the Company.

## 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 2023.

## **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 2023.

## **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 2023 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.

## **MINIMUM NUMBERS OF CORPORATE GOVERNANCE COMMITTEE**

According to the written terms of reference, the Corporate Governance Committee (the “**CGC**”) comprised of four members. Following the resignation of Mr. Huang Mingguo on 2 July 2021, Ms. Hung Wai Kwan on 8 August 2021 and Ms. Chow Lai Wah Livia on 13 January 2023 and the appointment of Mr. Wong Kon Man Jason and Mr. Yue Chi Wing on 28 June 2022, the Company currently comprises of three Corporate Governance Committee members, Mr. Kwan Kin Chung, Mr. Wong Kon Man Jason and Mr. Yue Chi Wing respectively. The Board will commence a process to identify replacement so as to full 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 2023.

## **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, 24 November 2023

*As at the date hereof, the Board comprises of Mr. Kwan Kin Chung and Mr. Yuen Kin (all being Executive Directors); Mr. Wong Kon Man Jason (being Chairman and Non-executive Director) and Dr. Liu Ka Ying Rebecca (being Vice 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*