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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 2024

#### 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 2024 together with the comparative figures for the corresponding period of 2023 are as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Six months ended 30 September	
		2024	2023
		HK\$'000	HK\$'000
	NOTES	(unaudited)	(unaudited)
Revenue	3	7,792	9,355
Cost of sales		(4,265)	(3,549)
Gross profit		3,527	5,806
Other income	5	277	1,073
Other gains or losses	6	638	(5,503)
Impairment loss under expected credit loss model, net of reversal		378	161
Other impairment loss	7	(2,412)	—
Selling expenses		—	(1,321)
Administrative expenses		(11,935)	(15,535)
Other expenses	9	(2,252)	(3,554)
Finance costs	8	(58)	(47)
Share of loss of an associate		(96)	(248)
Loss before tax	9	(11,933)	(19,168)
Income tax credit (expense)	10	313	(142)
<b>Loss for the period</b>		<b>(11,620)</b>	<b>(19,310)</b>

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>NOTE</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income (expense)</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation from functional currency to presentation currency	3,873	(8,007)
Fair value loss of financial assets at fair value through other comprehensive income	(5)	—
	<u>3,868</u>	<u>(8,007)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(1,182)	2,691
Reclassification of cumulative translation reserve upon disposal of a subsidiary	—	(438)
Reclassification of cumulative translation reserve upon deregistration of a subsidiary	(1,475)	—
	<u>(2,657)</u>	<u>2,253</u>
Other comprehensive income (expense) for the period	<u>1,211</u>	<u>(5,754)</u>
Total comprehensive expense for the period	<u><u>(10,409)</u></u>	<u><u>(25,064)</u></u>
Loss for the period attributable to:		
— owners of the Company	(11,384)	(13,931)
— non-controlling interests	(236)	(5,379)
	<u>(11,620)</u>	<u>(19,310)</u>
Total comprehensive expense for the period attributable to:		
— owners of the Company	(9,822)	(19,719)
— non-controlling interests	(587)	(5,345)
	<u>(10,409)</u>	<u>(25,064)</u>
<b>Loss per share</b>		
Basic and diluted (HK cents)	<u><u>(0.7)</u></u>	<u><u>(0.8)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2024

		30 September 2024	31 March 2024
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>NOTES</i>	(unaudited)	(audited)
<b>Non-current assets</b>			
Property and equipment		59	81
Right-of-use assets		904	273
Interests in an associate		126	222
Intangible assets		5,281	5,525
Deposits	13	486	488
Financial assets at fair value through profit or loss (“FVTPL”)		209	226
Financial assets at fair value through other comprehensive income		418	413
Deferred tax assets		374	40
		7,857	7,268
<b>Current assets</b>			
Inventories		31,994	32,008
Trade receivables	13	4,659	3,465
Contract assets		—	118
Other receivables, deposits and prepayments	13	36,937	35,325
Loan receivables	14	7,655	7,956
Amount due from an associate		600	—
Financial assets at FVTPL		658	1,714
Cash and cash equivalents		24,741	38,228
Tax recoverable		179	200
		107,423	119,014
<b>Current liabilities</b>			
Trade payables	15	1,483	946
Other payables and accrued charges	15	9,207	8,331
Loans from a shareholder		—	4,364
Loans from directors		3,000	3,436
Lease liabilities		1,961	526
		15,651	17,603
<b>Net current assets</b>		91,772	101,411
<b>Total assets less current liabilities</b>		99,629	108,679

	<b>30 September 2024</b>	31 March 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
<b>Non-current liabilities</b>		
Lease liabilities	<u>1,359</u>	<u>—</u>
<b>Net assets</b>	<u>98,270</u>	<u>108,679</u>
<b>Capital and reserves</b>		
Share capital	16,687	16,687
Share premium and reserves	<u>87,278</u>	<u>97,100</u>
Equity attributable to owners of the Company	103,965	113,787
Non-controlling interests	<u>(5,695)</u>	<u>(5,108)</u>
<b>Total equity</b>	<u>98,270</u>	<u>108,679</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statement (“**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 D2 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024.

#### **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 2024 for the preparation of the Interim Financial Statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the other 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.

**Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)**

The 2020 amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation; and
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group’s outstanding liabilities as at 30 September 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

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 2024				
	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 books sales	6,358	—	—	—	6,358
— Royalty income from IPs licensing	1,322	—	—	—	1,322
Over time:					
— Social media marketing	—	112	—	—	112
Total	<u>7,680</u>	<u>112</u>	<u>—</u>	<u>—</u>	<u>7,792</u>
<b>Geographical markets:</b>					
Hong Kong (place of domicile)	7,680	—	—	—	7,680
The People's Republic of China (the "PRC")	—	112	—	—	112
Total	<u>7,680</u>	<u>112</u>	<u>—</u>	<u>—</u>	<u>7,792</u>

For the six months ended 30 September 2023

	Publishing and 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 books sales	6,275	—	—	—	6,275
— Royalty income from IPs licensing	1,299	—	—	—	1,299
— New media advertising revenue	—	1,781	—	—	1,781
Total	<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
PRC	—	1,781	—	—	1,781
Total	<u>7,574</u>	<u>1,781</u>	<u>—</u>	<u>—</u>	<u>9,355</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 2024 (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>7,680</u>	<u>112</u>	<u>—</u>	<u>—</u>	<u>7,792</u>
Segment results	<u>872</u>	<u>(538)</u>	<u>(275)</u>	<u>(1,151)</u>	<u>(1,092)</u>
Unallocated expenses					(11,494)
Unallocated income					50
Other gains and losses					<u>603</u>
Loss before tax					<u>(11,933)</u>

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>	(1,241)
Unallocated expenses					(12,644)
Unallocated income					78
Other gains and losses					<u>(5,361)</u>
Loss before tax					<u>(19,168)</u>

*Note:* Premium wines with a carrying amount of approximately HK\$31,278,000 (31 March 2024: HK\$31,289,000) were held by the Group as at 30 September 2024. 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, gain on disposal of a subsidiary, impairment loss of right-of-use assets 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 2024, other income mainly included imputed interest income from loan receivables of HK\$140,000 (six months ended 30 September 2023: HK\$Nil), bank interest income of approximately HK\$44,000 (six months ended 30 September 2023: HK\$95,000), recovery of trade receivables previously impaired of approximately HK\$Nil (six months ended 30 September 2023: HK\$884,000), dividend income from financial assets at FVTPL of approximately HK\$5,000 (six months ended 30 September 2023: HK\$72,000).

## 6. OTHER GAINS OR LOSSES

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gains (losses) on fair value change of financial assets at FVTPL		
— held for trading	202	114
— others	195	(6,296)
Gain on disposal of property and equipment	—	3
Gain on disposal of a subsidiary	—	823
Net foreign exchange gains (losses)	241	(147)
	<u>638</u>	<u>(5,503)</u>

## 7. OTHER IMPAIRMENT LOSS

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Impairment loss recognised in respect of right-of-use assets	2,412	—

## 8. FINANCE COSTS

	Six months ended	
	30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on lease liabilities	58	47

## 9. LOSS BEFORE TAX

	Six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Staff costs, including directors' emoluments	8,369	10,231
Auditor's remuneration		
— Audit service	675	665
— Non-audit service	230	250
Cost of inventories recognised as expense	3,510	2,836
Costs to fulfill the contracts with customers	755	713
Amortisation of intangible assets	244	244
Depreciation of property and equipment	27	34
Depreciation of right-of-use assets	830	197
Impairment loss on right-of-use assets	2,412	—
Legal, consultancy and other professional fees (included in other expenses) ( <i>Note</i> )	1,710	3,054
Research cost (included in other expenses) (including staff costs of approximately HK\$466,000 (six months ended 30 September 2023: HK\$Nil))	542	500
Expenses relating to short term leases	367	381
	<u>8,369</u>	<u>10,231</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 (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.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax		
— Hong Kong Profits Tax	(21)	(142)
Deferred tax		
— Deferred tax credit	<u>334</u>	<u>—</u>
Income tax credit (expense)	<u><u>313</u></u>	<u><u>(142)</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>2024</b>	<b>2023</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 calculating basic and diluted loss per share	<u><u>(11,384)</u></u>	<u><u>(13,931)</u></u>

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of shares for the purpose of basic and diluted loss per share	<u><u>1,668,657</u></u>	<u><u>1,668,657</u></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 2024 and 2023.

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

#### (a) Trade receivables

	<b>30 September 2024 HK\$'000 (unaudited)</b>	31 March 2024 HK\$'000 (audited)
Trade receivables	5,243	4,408
Less: allowance for credit losses	<u>(584)</u>	<u>(943)</u>
	<b><u>4,659</u></b>	<b><u>3,465</u></b>

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 2024 HK\$'000 (unaudited)</b>	31 March 2024 HK\$'000 (audited)
0 — 60 days	3,035	1,439
61 — 90 days	559	442
91 — 180 days	916	1,264
Over 180 days	<u>149</u>	<u>320</u>
	<b><u>4,659</u></b>	<b><u>3,465</u></b>

*Note:* As at 30 September 2024, included in the Group's trade receivables are approximately HK\$43,000 (31 March 2024: HK\$38,000) due from Culturecom Media & Entertainment Limited ("CMEL"), an associate of the Group.

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

	<b>30 September 2024 HK\$'000 (unaudited)</b>	31 March 2024 HK\$'000 (audited)
Other receivables	386	200
<i>Less: allowance for credit losses</i>	<u>(120)</u>	<u>(120)</u>
	<u>266</u>	<u>80</u>
Deposits and prepayments ( <i>Note</i> )	37,158	35,737
<i>Less: allowance for credit losses</i>	<u>(1)</u>	<u>(4)</u>
	<u>37,157</u>	<u>35,733</u>
Total other receivables, deposits and prepayments	37,423	35,813
<i>Less: amounts that will be settled or utilised within one year</i>	<u>(36,937)</u>	<u>(35,325)</u>
Amount that will be settled or utilised for more than one year	<u><u>486</u></u>	<u><u>488</u></u>

*Note:* As at 30 September 2024, the amount mainly comprised of deposits paid for intangible assets of approximately HK\$34,063,000 (31 March 2024: HK\$33,269,000) made to independent third parties under natural language processing business.

As at 30 September 2024, included in the deposits and prepayments are approximately HK\$105,000 (31 March 2024: HK\$220,000) paid to CMEL, an associate of the Group.

**(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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2024. Therefore, net reversal of impairment loss under expected credit loss for trade, other receivables and deposits, amounted to approximately HK\$362,000 (six months ended 30 September 2023: HK\$566,000), is recognised in profit or loss during the current interim period.

## 14. LOAN RECEIVABLES

	<b>30 September 2024 HK\$'000 (unaudited)</b>	31 March 2024 HK\$'000 (audited)
Loan receivables from independent third parties	7,751	8,068
Less: allowance for credit losses	<u>(96)</u>	<u>(112)</u>
	<b><u>7,655</u></b>	<b><u>7,956</u></b>

During the six months ended 30 September 2024, the Group has entered into a loan agreement with an independent third party.

The loan receivables were unsecured, interest-free and repayable within one year. Fair value of the loan receivables on initial recognition is determined based on effective interest rate ranging from 3.50% to 3.71% per annum. The difference between the principal amount of the loan and its fair value determined on initial recognition amounting to approximately HK\$463,000 (31 March 2024: HK\$384,000).

## 15. 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 2024 HK\$'000 (unaudited)</b>	31 March 2024 HK\$'000 (audited)
0 — 60 days	1,223	717
61 — 90 days	247	216
Over 90 days	<u>13</u>	<u>13</u>
	<b><u>1,483</u></b>	<b><u>946</u></b>

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 2024, other payables and accrued charges mainly included deposit received approximately HK\$1,197,000 (31 March 2024: HK\$285,000), accrued operating expenses approximately HK\$4,426,000 (31 March 2024: HK\$5,014,000) and accrued salaries approximately HK\$1,612,000 (31 March 2024: HK\$1,060,000) and accrued staff termination cost approximately HK\$1,560,000 (31 March 2024: HK\$1,560,000).

## 16. EVENT AFTER REPORTING PERIOD

On 28 May 2021, 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, 28 September 2023, 30 November 2023, 31 January 2024, 28 March 2024, 31 May 2024, 29 July 2024, 30 September 2024 and 4 October 2024, respectively.

\* *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 2024 decreased by approximately 18.3% to HK\$11,384,000 or HK0.7 cents per share as of 30 September 2024 (30 September 2023: loss of HK\$13,931,000 or HK0.8 cents per share).

The analysis of condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2024 is as follows:

#### 1. Revenue

For the six months ended 30 September 2024, the Group's overall revenue from operations decreased by approximately 16.7% from HK\$9,355,000 to HK\$7,792,000 of which approximately HK\$7,680,000 and HK\$112,000 (2023: HK\$7,574,000 and HK\$1,781,000) were attributable to our business of publishing and intellectual properties ("IPs") licensing and digital marketing respectively.

The revenue for publishing and IPs licensing business slightly increased by approximately 1.4%, as an increase of revenue from more publication of comic book and IPs licensing during the interim period.

The revenue from the digital marketing business decreased from approximately HK\$1,781,000 in the six months ending 30 September 2023 to approximately HK\$112,000 in the same period of 2024. This decrease in revenue was influenced by the downsizing of operations. In response to the digital marketing business's downward trajectory, the Group has prioritized cash and working capital conservation. The Group continues to the voluntary winding up of the indirect non-wholly owned subsidiaries (details see description below).

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

The Group recorded a gross profit of approximately HK\$3,527,000 with gross profit margin of 45.3% for the six months ended 30 September 2024 as compared to the same period of 2023, which recorded a gross profit of HK\$5,806,000 with a gross profit margin of 62.1%. The decrease of margin percentage was mainly due to the production cost of publication of comics books increased during the interim period.

### **3. Selling expenses**

The selling expenses decreased from approximately HK\$1,321,000 for the six months ended 30 September 2023 to approximately HK\$Nil for the six months ended 30 September 2024 as the restructure of digital marketing business.

### **4. Administrative expenses**

For the six months ended 30 September 2024, the Group reported total administrative expenses from operations of about HK\$11,935,000, a decrease from HK\$15,535,000 in 2023.

The main expense components for this period included staff costs of approximately HK\$7,788,000 (2023: HK\$9,828,000), audit and non-audit services fee of approximately HK\$905,000 (2023: HK\$915,000), entertainment of approximately HK\$168,000 (2023: HK\$622,000), advertising and promotion expenses of approximately HK\$129,000 (2023: HK\$1,004,000), and listing and corporate services fee of approximately HK\$280,000 (2023: HK\$335,000).

The reduction in administrative expenses from operations is primarily ongoing efforts to streamline operations and control costs.

### **5. Other impairment losses**

An impairment loss on right-of-use assets of approximately HK\$2,412,000 (2023: HK\$Nil) has been recognised due to the assessment of the assets' recoverability.

### **6. Other expenses**

In the current interim period, approximately HK\$1,710,000 was spent on legal, consultancy, and other professional fees (2023: HK\$3,054,000). 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 natural language processing and digital marketing business was approximately HK\$542,000 (2023: HK\$500,000).

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

The Group recorded a loss from operations of approximately HK\$11,620,000 (2023:HK\$19,310,000).

Also, as of 30 September 2024, the Group has a net asset of approximately HK\$98,270,000 (31 March 2024: HK\$108,679,000) and net asset value per share of HK\$0.06 (31 March 2024: HK\$0.07).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 30 September 2024, the Group had cash and bank balances with financial institutions in aggregate of approximately HK\$24,741,000 and a total of financial assets at fair value through profit or loss of approximately HK\$867,000.

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 2024, the Group had a net current asset of approximately HK\$91,772,000 (31 March 2024: HK\$101,411,000) and a current ratio of approximately 6.9 (31 March 2024: 6.8). The Group’s total liabilities as of 30 September 2024 amounted to approximately 17,010,000 (31 March 2024: HK\$17,603,000) and the gearing ratio of the Group represented approximately 16.4% (31 March 2024: 15.5%) 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.

## **DEPOSITS PAID FOR INTANGIBLE ASSET**

As mentioned in Note 13, the Group had deposits paid for the natural language processing technology development and production of software and chipset, approximately HK\$34,063,000 in total for the period ended 30 September 2024. 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 2024, the Group had a total of 50 employees of which 34 are based in Hong Kong and 16 in the PRC. Total staff costs from operations incurred for the six months ended 30 September 2024 amounted to approximately HK\$8,835,000 (30 September 2023: HK\$10,231,000). 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.

## 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, 28 September 2023, 30 November 2023, 31 January 2024, 28 March 2024, 31 May 2024, 29 July 2024, 30 September 2024 and 4 October 2024 respectively.

## VOLUNTARY LIQUIDATION OF TWO NON-WHOLLY OWNED SUBSIDIARIES

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. The voluntary liquidation of Eqmen was completed in March 2024 and the voluntary liquidation of Beijing Star Engine 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.

## DEREGISTRATION OF A WHOLLY OWNED SUBSIDIARIES

During the interim period, the Group deregistered a wholly owned subsidiary, 廣州宏昊科技有限公司, which was engaged in digital marketing business. The deregistration has completed on 4 July 2024.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 September 2024, the Group did not have any significant capital commitment and contingent liabilities (31 March 2024: Nil).

## BUSINESS REVIEW

Following the COVID-19 pandemic, the overall economy has not yet recovered in the past two years and the Group continues to face a rather challenging operating environment. Amidst the acute business and economic environment, as well as unstable geopolitical factors, the Group continues to focus on conserving resources, restructuring operations and taking actions to control and reduce costs and expenses, which helps the Group to preserve its resources. During the six months ended 30 September 2024, total revenue has decreased 16.7% from HK\$9,355,000 in 2023 to HK\$7,792,000 in 2024.

### Publishing and IPs Licensing Business

The publishing and IPs licensing business is stable. Revenue from this segment, were HK\$7,680,000 in 2024 and HK\$7,574,000 in 2023 respectively. The Company is putting more effort into publication sales of owned IPs or under licenses, and to broaden the scope of licensing business. Other than IPs licensing, the Group is planning to expand its business in the last quarter of this fiscal year, including publishing and distribution of certain comic title.

### Digital Marketing

In terms of streamlining its operations, after the voluntary winding up and restructuring, the remaining business of the digital marketing segment in Beijing and Guangzhou. Revenue from this segment has substantially reduced 93.7% from HK\$1,781,000 in 2023 to HK\$112,000 in 2024. And the total number of employees is reduced from 4 to 1.

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.

Also, our non-wholly owned subsidiary, 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, the process of voluntarily winding up are still in progress.

## **Retailing and Wholesales Business**

The Group's premium wine is primarily for consumption by high-end consumer groups or restaurants, mainly sold on a wholesale basis. Overall, sales are stable but subject to market demand, resulting in irregular income. Currently, the Group is also focused on selling the wine in large lots to generate positive cash flow and moving the inventory.

## **Natural Language Processing**

Since the commencement of the natural language processing business, the Group, with its aspirations on artificial intelligence technology and previous research and development, has invested in the development and production of software and chipset with natural language processing technology, with a focus on Chinese language voice recognition, obtained several invention patents and made progress in product 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 in mobile phones, smart homes and IoT.

The Group has been concentrating on improving AI speech technology during the current fiscal year, with an emphasis on developing and improving software on facilitating real-time interaction with humans. During the six months ended 30 September 2024, the net operating expenses amounted to approximately HK\$1,151,000. This was primarily due to the costs associated with personnel and business promotion. Headcount employed for this business segment now stands at 15 and the Group will continue to hire professionals in building a technical and business development team.

## **PROSPECT**

We are mindful of the pivotal changes taking place in the business, and while striving to maintain the sustainable development level of the existing business segments, we hope the natural language processing segment will be put into the market as soon as possible and generate profits for the Group. In total, the manpower as of 30 September 2024 is 50 as compared to 55 on 30 September 2023.

The Group continues to strengthen its cooperation with iFlytek and IBT in the development of AI speech real-time human-computer interaction technology, which has already entered the stage of product application, products such as the Feilong Master human-computer interaction mobile phone and IoT application products will be gradually launched into the market.

The upsurge in Hong Kong cultural sentiments driven by short plays and movies adapted from Hong Kong comics is still continuing, in line with the government's promotion of local culture, the Group is working with partners to activate its IPs and expand the scope of its comic business, in addition to maintaining the traditional comic publishing licensing business.

## **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 2024.

## **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 C1 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. Fung Ting Ho 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 2024.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code as set out in Appendix C1 to the Listing Rules throughout the period ended 30 September 2024 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.

### **MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

Following the resignation of Mr. Fan Chun Wah Andrew on 6 May 2024, the Company only has two independent non-executive Directors, and fails to meet the minimum number required under Rule 3.10(1) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rule").

After the appointment of Mr. Fung Ting Ho as INED on 31 July 2024, the Company has then complied with the minimum of three independent non-executive Directors requirements under Rule 3.10 (1) of the Listing Rules.

### **THE CHAIRMAN OF NOMINATION COMMITTEE**

Following the resignation of Mr. Kwan Kin Chung, an executive Director, as the chairman of the Nomination Committee and the appointment of Mr. Fung Ting Ho, an independent non-executive Director as the chairman of Nomination Committee on 26 September 2024, the Company has complied with the nomination committee chaired by the chairman of the board or an independent non-executive director requirements under Rule 3.27A of the Listing Rules.

## **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 C3 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 2024.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.culturecom.com.hk](http://www.culturecom.com.hk). The interim report will be dispatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board  
**Culturecom Holdings Limited**  
**Kwan Kin Chung**  
*Managing Director*

Hong Kong, 25 November 2024

*As at the date hereof, the Board comprises of Mr. Kwan Kin Chung (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. Mung Yat Lik and Mr. Fung Ting Ho (all being Independent Non-executive Directors).*

\* *for identification purposes only*