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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 2019

#### 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 2019 together with the comparative figures for the corresponding period of 2018 are as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

		Six months ended 30 September	
	NOTES	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited) (restated)
<b>Continuing operations</b>			
Revenue	3	36,182	8,335
Cost of sales		<u>(25,347)</u>	<u>(3,508)</u>
Gross profit		10,835	4,827
Other income	5a	2,625	997
Other losses	5b	(5,198)	(2,519)
Selling expenses		(3,639)	(24)
Administrative expenses		(21,924)	(12,915)
Finance cost		(96)	—
Share of loss of an associate		<u>(22)</u>	<u>(430)</u>
Loss before tax		(17,419)	(10,064)
Income tax credit (expense)	6	<u>25</u>	<u>(58)</u>
<b>Loss for the period from continuing operations</b>	7	<u>(17,394)</u>	<u>(10,122)</u>

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>NOTE</i>	<b>2019</b>	<b>2018</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		—	(4,745)
Loss for the period		<u>(17,394)</u>	<u>(14,867)</u>
<b>Other comprehensive expense</b>			
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<u>(6,406)</u>	<u>(844)</u>
Other comprehensive expense for the period		<u>(6,406)</u>	<u>(844)</u>
Total comprehensive expense for the period		<u><b>(23,800)</b></u>	<u><b>(15,711)</b></u>
Loss for the period attributable to owners of the Company:			
— from continuing operations		<u>(12,974)</u>	<u>(8,877)</u>
— from discontinued operation		<u>—</u>	<u>(4,745)</u>
		<u><b>(12,974)</b></u>	<u><b>(13,622)</b></u>
Loss for the period attributable to non-controlling interests from continuing operations		<u>(4,420)</u>	<u>(1,245)</u>
		<u><b>(17,394)</b></u>	<u><b>(14,867)</b></u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		<u>(18,094)</u>	<u>(14,499)</u>
Non-controlling interests		<u>(5,706)</u>	<u>(1,212)</u>
		<u><b>(23,800)</b></u>	<u><b>(15,711)</b></u>
Loss per share	9		
From continuing and discontinued operations			
Basic (HK cents)		<u><b>(0.9)</b></u>	<u><b>(1.0)</b></u>
From continuing operations			
Basic (HK cents)		<u><b>(0.9)</b></u>	<u><b>(0.6)</b></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2019

	30 September 2019	31 March 2019
	NOTES HK\$'000 (unaudited)	HK\$'000 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	833	837
Right-of-use assets	4,180	—
Goodwill	11 18,771	19,949
Interest in an associate	1,368	1,390
Intangible assets	5,607	6,162
Film right	—	117
Rental deposit	—	555
Financial assets at fair value through profit or loss	1,202	5,379
	<u>31,961</u>	<u>34,389</u>
<b>Current assets</b>		
Inventories	35,780	35,786
Trade receivables	10 19,066	9,969
Other receivables, deposits and prepayments	10 22,639	12,583
Contract costs	4,414	—
Tax recoverable	1,640	1,262
Financial asset at fair value through profit or loss	16,857	—
Bank balances and cash	161,249	220,370
	<u>261,645</u>	<u>279,970</u>
<b>Current liabilities</b>		
Trade payables	12 1,296	737
Other payables and accrued charges	7,401	9,932
Contract liabilities	1,186	114
Lease liabilities	2,823	—
	<u>12,706</u>	<u>10,783</u>
<b>Net current assets</b>	<u>248,939</u>	<u>269,187</u>
<b>Total assets less current liabilities</b>	<u>280,900</u>	<u>303,576</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	1,359	1,384
Lease liabilities	1,251	—
	<u>2,610</u>	<u>1,384</u>
<b>Net assets</b>	<u>278,290</u>	<u>302,192</u>
<b>Capital and reserves</b>		
Share capital	13,907	13,907
Share premium and reserves	252,546	270,842
Equity attributable to owners of the Company	266,453	284,749
Non-controlling interests	11,837	17,443
<b>Total equity</b>	<u>278,290</u>	<u>302,192</u>

## 1. BASIS OF PREPARATION

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

In order to provide a more comprehensive and informative presentation of the results of the Group to the financial statements users, the management of the Company has reconsidered the presentation of the condensed consolidated statement of profit or loss and other comprehensive income. During the six months ended 30 September 2019, all the expenses have been presented according to their function on the face of the condensed consolidated statement of profit or loss and other comprehensive income. As a result, the relevant amounts of salaries and allowances, other expenses, depreciation expenses and operating lease rentals in respect of rental premises have been reclassified according to their function as part of “Cost of sales”, “Selling expenses” and “Administrative expenses”. Accordingly, the relevant comparative amounts of salaries and allowances, other expenses, depreciation expenses and operating lease rentals in respect of rental premises have been reclassified to conform with the current period’s presentation.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2019.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle

## 2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases

### 2.1.1 Transition and summary of effects arising from initial application of HKFRS 16

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$6,138,000 and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. The Group further reclassified prepaid rent of HK\$172,000 to right-of-use assets at 1 April 2019.

## 3. REVENUE

### Continuing operations

#### Disaggregation of revenue from contracts with customers

	Six months ended 30 September 2019				
	Publishing and intellectual properties licensing <i>HK\$'000</i> (unaudited)	Online and social business <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Catering <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Time of revenue recognised:</b>					
At a point of time					
— Comic book sales	2,196	—	—	—	2,196
— Royalty income from intellectual properties licensing	1,742	—	—	—	1,742
— Operation of digital cinema	—	618	—	—	618
— New media advertising revenue	—	—	15,639	—	15,639
— Intellectual properties digitalisation for production	—	—	9,432	—	9,432
— Catering services	—	—	—	1,366	1,366
Over time					
— Social media marketing and content development	—	—	5,189	—	5,189
<b>Total</b>	<b>3,938</b>	<b>618</b>	<b>30,260</b>	<b>1,366</b>	<b>36,182</b>
Principal Agent	3,938	618	29,816	1,366	35,738
	—	—	444	—	444
<b>Total</b>	<b>3,938</b>	<b>618</b>	<b>30,260</b>	<b>1,366</b>	<b>36,182</b>
<b>Geographical markets</b>					
Hong Kong (place of domicile)	3,938	—	—	—	3,938
The People's Republic of China (the "PRC")	—	618	30,260	—	30,878
Macau	—	—	—	1,366	1,366
<b>Total</b>	<b>3,938</b>	<b>618</b>	<b>30,260</b>	<b>1,366</b>	<b>36,182</b>

## Six months ended 30 September 2018

	Publishing and intellectual properties licensing <i>HK\$'000</i> (unaudited)	Online and social business <i>HK\$'000</i> (unaudited)	Digital marketing <i>HK\$'000</i> (unaudited)	Retailing and wholesales <i>HK\$'000</i> (unaudited)	Catering <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Time of revenue recognised:</b>						
At a point of time						
— Comic book sales	2,492	—	—	—	—	2,492
— Royalty income from intellectual properties licensing	2,309	—	—	—	—	2,309
— Operation of digital cinema	—	796	—	—	—	796
— Digital marketing revenue	—	—	986	—	—	986
— Sales of wine	—	—	—	26	—	26
— Catering services	—	—	—	—	1,726	1,726
Total	<u>4,801</u>	<u>796</u>	<u>986</u>	<u>26</u>	<u>1,726</u>	<u>8,335</u>
Principal	<u>4,801</u>	<u>796</u>	<u>986</u>	<u>26</u>	<u>1,726</u>	<u>8,335</u>
<b>Geographical markets</b>						
Hong Kong (place of domicile)	4,801	—	—	26	—	4,827
The PRC	—	796	986	—	—	1,782
Macau	—	—	—	—	1,726	1,726
Total	<u>4,801</u>	<u>796</u>	<u>986</u>	<u>26</u>	<u>1,726</u>	<u>8,335</u>

**4. SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the Group's chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

- Publishing and intellectual properties licensing: publication of comic books and royalty income from licensing intellectual properties of comics.
- Online and social business: operation of digital cinema and film production.
- Digital marketing: providing digital marketing and communication, intellectual property digitalisation and agency of intellectual property services in the PRC.
- Retailing and wholesales: retailing of wine in Hong Kong and Macau.
- Catering: catering services in Macau.

During the period ended 30 September 2018, the Group commenced the business in digital marketing through acquisition of a subsidiary.

On 28 March 2019, Ucan Commercial Limited and its subsidiary, was disposed and its operation in development of multi-media application is presented as discontinued operation for the period ended 30 September 2018.

### Segment revenue and results

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

*For the period ended 30 September 2019 (unaudited)*

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Digital marketing <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i> <i>(Note)</i>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue						
External sales	<u>3,938</u>	<u>618</u>	<u>30,260</u>	<u>—</u>	<u>1,366</u>	<u>36,182</u>
Segments results from continuing operations	<u>(398)</u>	<u>(825)</u>	<u>(2,786)</u>	<u>(222)</u>	<u>(986)</u>	<u>(5,217)</u>
Unallocated expenses						(8,809)
Unallocated income						1,948
Other losses						<u>(5,341)</u>
Loss before tax						<u><u>(17,419)</u></u>

*Note:* Premium wines with a carrying amount of HK\$35,047,000 (31 March 2019: HK\$35,049,000) were held by the Group as at 30 September 2019. The Group has not made any sales of its premium wines during the current interim period and has not ceased the operations of the retailing and wholesales segment as it is exploring more distribution channels of these premium wines.

For the period ended 30 September 2018 (unaudited)

	Publishing and intellectual properties licensing HK\$'000	Online and social business HK\$'000 (Continuing operations)	HK\$'000 (Discontinued operation)	Digital marketing HK\$'000	Retailing and wholesales HK\$'000	Catering HK\$'000	Consolidated HK\$'000
Revenue							
External sales	<u>4,801</u>	<u>796</u>	<u>—</u>	<u>986</u>	<u>26</u>	<u>1,726</u>	<u>8,335</u>
Segments results from continuing and discontinued operations	<u>385</u>	<u>(452)</u>	<u>(4,745)</u>	<u>384</u>	<u>(544)</u>	<u>(625)</u>	<u>(5,597)</u>
Loss for the period from discontinued operation							<u>4,745</u>
Segment results from continuing operations							(852)
Unallocated expenses							(7,162)
Unallocated income							619
Other losses							<u>(2,669)</u>
Loss before tax from continuing operations							<u><u>(10,064)</u></u>

Segment result represents the profit (loss) before tax earned (incurred) by each segment without the allocation of certain other income, loss on disposal of subsidiaries, loss on fair value change of financial assets at fair value through profit or loss, share of loss of an associate 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.

## 5a. OTHER INCOME

### Continuing operations

During the six months ended 30 September 2019, other income included bank interest income of HK\$1,475,000 (six months ended 30 September 2018: HK\$130,000).

## 5b. OTHER LOSSES

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>		
Loss on fair value change of financial assets at fair value through profit or loss	(4,227)	(917)
Net foreign exchange loss	(930)	(1,602)
Loss on disposal of subsidiaries	(41)	—
	<u>(5,198)</u>	<u>(2,519)</u>

## 6. INCOME TAX CREDIT (EXPENSE)

### Continuing operations

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

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for both periods. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Income tax credit (expense) comprises:</b>		
Deferred tax		
— Deferred tax credit (expense)	<u>25</u>	<u>(58)</u>
Income tax credit (expense)	<u>25</u>	<u>(58)</u>

## 7. LOSS FOR THE PERIOD

### Continuing operations

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Audit fee	1,022	984
Amortisation of intangible asset	353	—
Amortisation of film right (included in cost of sales)	117	270
Staff costs, including directors' emoluments	13,007	6,087
Depreciation of right-of-use assets	2,359	—
Depreciation of property, plant and equipment	277	174
Consultancy and other professional fee ( <i>Note</i> )	629	933
	<u>13,764</u>	<u>13,368</u>

*Note:* The amounts represent fees paid to consultants providing professional advices on business operations.

## 8. 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.

## 9. LOSS PER SHARE

### From continuing operations

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(12,974)	(13,622)
Less: Loss for the period from discontinued operation	—	4,745
Loss for the purpose of basic loss per share	<u>(12,974)</u>	<u>(8,877)</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
Number of shares for the purposes of basic loss per share	<u>1,390,657</u>	<u>1,390,657</u>

## From continuing and discontinued operations

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

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<u>(12,974)</u>	<u>(13,622)</u>

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

## From discontinued operation

For the six months ended 30 September 2018, basic loss per share for the discontinued operation is HK0.4 cent per share, based on the loss for the period from the discontinued operation of HK\$4,745,000 and the denominators used are the same as those detailed above for basic loss per share.

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

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

### (a) Trade receivables

The Group allows the general credit period of ranges from 0 to 90 days to customers of publishing and intellectual properties licensing, retailing and wholesales and digital marketing segments. The following is the aged analysis of trade receivables net of allowance for credit losses presented based on the date of billing at the end of reporting period.

	30 September 2019	31 March 2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 — 60 days	16,077	1,870
61 — 90 days	1,595	751
91 — 180 days	948	7,348
Over 180 days	446	—
	<u>19,066</u>	<u>9,969</u>

Trade receivables are interest-free and unsecured.

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

	<b>30 September 2019 HK\$'000 (unaudited)</b>	31 March 2019 HK\$'000 (audited)
Other receivables	3,224	3,905
Deposits and prepayments	<u>19,415</u>	<u>9,233</u>
Total other receivables, deposits and prepayments	<b>22,639</b>	13,138
Less: Amounts that will be settled or utilised within one year	<u>(22,639)</u>	<u>(12,583)</u>
Amount that will be utilised for more than one year	<u>—</u>	<u>555</u>

**11. GOODWILL**

For the purpose of impairment assessment, goodwill is allocated to one cash generating unit (“CGU”), comprising a wholly owned subsidiary in digital marketing segment. A 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 to sell. During the six months ended 30 September 2019, no impairment has been recognised in profit or loss.

**12. TRADE PAYABLES**

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 2019 HK\$'000 (unaudited)</b>	31 March 2019 HK\$'000 (audited)
0 — 60 days	1,071	604
61 — 90 days	178	102
Over 90 days	<u>47</u>	<u>31</u>
	<u><b>1,296</b></u>	<u>737</u>

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 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 2019 decreased by 4.76% to HK\$12,974,000 (30 September 2018: loss of HK\$13,622,000) or the loss per share at HK0.9 cents as of 30 September 2019 (30 September 2018: HK1.0 cents per share).

The analysis of condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019 is as follows:

#### 1. Revenue

For the six months ended 30 September 2019, the Group's overall turnover increased by approximately 334.1% to HK\$36,182,000 of which approximately HK\$3,938,000, HK\$618,000, HK\$30,260,000, nil and HK\$1,366,000 (30 September 2018: HK\$4,801,000, HK\$796,000, HK\$986,000, HK\$26,000 and HK\$1,726,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, digital marketing, retailing and wholesales and catering respectively.

The Group has recorded a decrease in turnover for the business of publishing and intellectual properties licensing, representing a decrease of approximately 18.0%. It was mainly attributable to the drop in income on intellectual properties ("IP") licensing, view as normal market adjustment.

For the six months ended 30 September 2019, the turnover of the online and social business segment has decreased by 22.4% to HK\$618,000 (30 September 2018: HK\$796,000) compared to the last period. The decrease was mainly due to the industry cycle of digital cinema in the PRC.

The turnover from the digital marketing business significantly increased from HK\$986,000 to HK\$30,260,000 for the six months ended 30 September 2019. It was mainly due to continuous efforts put into building the digital marketing segment as the Group's leading core business.

No turnover from the retailing and wholesales segment for the sales of premium wine was reported during the interim period (30 September 2018: HK\$26,000).

The catering services in Macau reported a decrease in revenue of 20.9% to HK\$1,366,000 compared to the year of 2018 due to normal market conditions fluctuation.

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

The Group recorded a gross profit of approximately HK\$10,835,000 with gross profit margin of 29.9% for the six months ended 30 September 2019 as compared to the same period of 2018, which recorded a gross profit of HK\$4,827,000, restated. Comparing the gross profits for both periods, the positive development of the digital marketing segment offset the decrease from the publishing and IP licensing segment.

## **3. Administrative expenses**

The Group recorded an aggregate administrative expenses from continuing operations of approximately HK\$21,924,000 for the six months ended 30 September 2019 (2018: HK\$12,915,000, restated) and from discontinued operation of approximately nil for the six months ended 30 September 2019 (2018: HK\$4,745,000, restated) respectively.

Such administrative expenses include corporate fee, directors' emolument, staff cost, consultancy and other professional fee. The increase in administrative expenses from continuing operations was mainly due to the development of the digital marketing segment from PRC subsidiaries.

Despite the increase in the total administrative expenses for the six months ended 30 September 2019 as compared to the same period of 2018, the Group employed cautious cost management and was able to downsize non-profitable operations.

## **4. Loss before tax**

The Group recorded a loss before tax from continuing operations of approximately HK\$12,974,000 for the six months ended 30 September 2019 (2018: HK\$8,877,000). Loss from discontinued operation of approximately HK\$4,745,000 for the six months ended 30 September 2018 (2019: nil). The Group has been successful in controlling costs and cutting off non-profitable operations.

Also, as at 30 September 2019, the Group has net asset of approximately HK\$278,290,000 (31 March 2019: HK\$302,192,000). Net asset value per share of HK\$0.20 (31 March 2019: HK\$0.22).

## **ACQUISITION OF 45% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY**

On 30 September 2019, Culturecom (Zhuhai) Investments (Limited Partnership)\* (文漫(珠海)投資企業(有限合伙)), a wholly-owned indirect subsidiary of the Group, entered into the Equity Transfer Agreement (the "Agreement") with Beijing WeiResearch Info Technology Limited\* (北京微瑞思創信息科技股份有限公司) ("WeiResearch"), a connected person of the Company at the subsidiary level, to purchase from WeiResearch 45% of equity interest in Beijing Skyvior Technolgy Co. Limited\*

(北京乾智傳視科技有限公司) (“Beijing Skyvior”) at a consideration of RMB450,000. The Equity Transfer Agreement is effective on 30 September 2019, Beijing Skyvior become a wholly-owned subsidiary of the Group and WeiResearch would no longer be a connected person of the Company.

## **DISPOSAL OF SUBSIDIARIES**

During the six months ended 30 September 2019, the Group implemented measures to streamline its operations. On 9 August 2019, the Group entered into an agreement to dispose of the entire shareholdings of its subsidiaries, 文傳手游網絡發展(深圳)有限公司, 文傳前海科技發展(深圳)有限公司 and 文傳創意傳媒(深圳)有限公司 to Mr. Tang U Fai, a director of a wholly-owned subsidiary of the Group for a total cash consideration of RMB221,000. The transaction was completed on 17 September 2019.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As of 30 September 2019, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$161,249,000 and financial assets at fair value through profit or loss of approximately HK\$18,059,000. The Group has no significant exposure to foreign exchange rate fluctuation except for the currency of RMB.

As of 30 September 2019, the Group had a net current asset of approximately HK\$248,939,000 (31 March 2019: HK\$269,187,000) and a current ratio of 20.6 (31 March 2019: 26.0). The Group’s total liabilities as of 31 March 2019 amounted to approximately HK\$15,316,000 (31 March 2019: HK\$12,167,000) and represented approximately 5.8% (31 March 2019: 4.3%) to equity attributable to owners of the Company.

Upon consideration of the above, the Directors have no doubt that the Group will have sufficient liquidity to finance its daily operations, as reflected by its healthy financial status with a wealth of cash flow and other resources. As always, the Group will continue to follow prudent and disciplined cash management practices on any excess liquidity.

## **EMPLOYMENT AND REMUNERATION POLICIES**

As of 30 September 2019, the Group had a total of 96 employees of which 32 are based in Hong Kong, 8 in Macau and 56 in the PRC. Total staff costs from continuing operations incurred for the six months ended 30 September 2019 amounted to approximately HK\$13,007,000 (30 September 2018: HK\$6,087,000, restated). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

## **BUSINESS REVIEW**

Since the beginning of 2018, the Group's focus on streamlining operations and business segments, controlling costs and embarking on investment in its core intellectual properties ("IPs") related business is starting to show results. Digital Marketing becomes the leading core business, its revenue for the first time surpassed the stagnating traditional Publishing and Intellectual Properties Licensing business by a wide margin — HK\$30.3 million versus HK\$3.9 million. Overall, total revenue increased significantly to HK\$36.2 million in 2019 comparing to HK\$8.3 million in 2018.

北京易奇門科技有限公司 ("EQmen"), a company which is principally engaged in the digitalisation and commercialisation of IPs, content creation and digital marketing, and which the Group acquired a 55% interest in August 2018, continues to expand in collaborating with certain prominent IPs owners, including the Palace Museum\* (故宮博物院). Since the beginning of this fiscal year, it commenced working with the National Copyright Administration of the PRC (國家版權局) under the "IP Express" (IP直通車) arrangement. Under this arrangement, EQmen gained the access to a large pool of IPs of various types. These collaborations will generate strong revenue for EQmen and assists the IP owners to explore and expand the usage of their IPs to bring in extra revenue and raising the market recognition of their IPs. The Group is also prepared to invest in IPs with market potential.

Beijing Skyvior became a wholly-owned subsidiary of the Group with the acquisition of the remaining 45% interest from the minority shareholder on September 30, 2019. The company specializes in applying big data analysis in matching IPs to assist customers in marketing products or services. This acquisition allows the Group in strengthening access to already strong and renowned clientele in establishing a leading presence in the new media and digital marketing industries in the PRC.

The Group expects its Digital Marketing to continue to grow rapidly as it continues to invest in building on a strong marketing and technical team to capture the vibrant Digital Marketing business. The revenue generated by Digital Marketing is HK\$30.3 million for the six months ended 30 September 2019 comparing to the same period of HK\$1.0 million in 2018. The number of employees increased from 25 to 47 during this twelve-month period.

Film right and film production costs are brought forward from last year. The Group has not invested in any film production and the current amortization on film rights of HK\$117,000 represents the full write-off of all investment in film production.

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

The Publishing and IP licensing business is rather static. Although the Group has the capability of digitalization of its IPs, mainly comic characters, the Group is putting more effort to broaden the scope of licensing business and enticing customers to encompass the use of digital images. This should enhance and improve the marketability of IPs of the Group.

## **Online and Social Business**

The Group disposed Ucan Commercial Limited, a wholly-owned subsidiary at the end of last fiscal year. With this disposal, the Group divested itself of its online and social business entirely, thereby, reducing significant losses incurred in the past. The Group is seeking to divest from its investment in digital cinema, putting more of its resources on Digital Marketing.

## **Retail and Wholesales Business**

The Group continues to work with a consultant to develop sales and distribution channels for its premium wine. Marketing plan is being formulated putting more effort on direct and consignment sales channels, including online wine selling sites, and restaurant chains.

## **Catering Business**

The Group is scaling down its catering services business and is also looking for a potential buyer or operator.

## **PROSPECT**

During this interim period, the Group is successful in developing a strong Digital Marketing business by putting a primary focus on building a strong marketing and technical team of professionals. With a notable acceleration on revenue growth for the first half of 2019, the Group has been working hard to make Digital Marketing operations as the Group's leading core segment.

Although the significant growth in revenue in the current period may have come with significant increases in expenses and costs, it is reflecting the strong commitment of the Group in pushing forth and becoming a prominent key player in the Digital Marketing and IPs Commercialization markets.

Furthermore, the Group's continuous efforts have been proven fruitful as we have successfully laid solid foundations for another sustainable revenue growth expected in the second half of 2019 and beyond. The Group's revenue forecast keeps building momentum as rich pipeline of IP content and Digital Marketing opportunities is under progress.

While the emphasis may be initially on revenue growth, the Group continues to focus on controlling costs and investment in and development of IPs, utilizing it in either direct licensing or marketing of products or events. The Group is confident it has built a base for achieving a turn-around. As stated before, the Group will continue to invest in IPs related business and continue to enhance the Company's value through our growing businesses.

## **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 2019.

## **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 2019.

## **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 2019 except for the following deviations:

### **Code Provision A.4.1**

Under the code provision A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. The current independent Non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-executive) of the Company are subject to retirement by rotation at the Annual General Meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

### **Code Provision E.1.2**

Under the code provision E.1.2, the Chairman of the Board should attend the annual general meeting. The position of the Chairman of the Board was not filled before the Company’s annual general meeting held on 28 August 2019. However, an Executive Director, present at the annual general meeting took the chair of that meeting in accordance with the Bye-Laws of the Company.

The Company will arrange for the election of the new Chairman of the Board as soon as practicable in order to fill up the vacancy of Chairman.

## **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 2019.

## **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**  
**Huang Mingguo**

*Executive Director and Chief Executive Officer*

Hong Kong, 18 November 2019

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

*\* for identification purposes only*