CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 343)

(Warrant Code: 453)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

RESULTS

The Board of Directors (the "Directors") of Culturecom Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008 together with the comparative figures for the corresponding year of 2007 are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	3	**44,889**	46,642
Cost of sales		**(29,906)**	(33,448)
Gross profit		**14,983**	13,194
Other income		**13,475**	3,196
Administrative expenses		**(100,936)**	(55,096)
(Decrease)/Increase in fair value of held-for-trading investments		**(4,019)**	6,675
Share of loss of associates		**(11,051)**	(1,662)
Allowances for amounts due from associates		**(25,636)**	(10,196)
Gain on disposal of an associate		**–**	891
Gain on disposals of subsidiaries		**–**	1,765
Gain arising on acquisition of a subsidiary	10	**28,444**	–
Valuation surplus on investment properties		**43,124**	12,533
Finance costs	4	**(789)**	(187)
Impairment loss of property, plant and equipment		**–**	(2,827)
Loss before income tax	5	**(42,405)**	(31,714)
Income tax expense	6	**(7,160)**	(2,220)
Loss for the year attributable to equity holders of the Company		**(49,565)**	(33,934)
Loss per share attributable to equity holders of the Company during the year – basic	7	**HK0.89 cents**	HK0.86 cents
Dividends		**–**	–

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**31,172**	13,230
Prepaid lease payments		**19,281**	24,724
Investment properties		**130,816**	80,026
Development costs		**–**	–
Interests in associates		**25,758**	8,248
Amounts due from associates		**–**	22,030
Interest in a jointly controlled entity		**–**	–
Intangible assets		**211,506**	1,385
		418,533	149,643
Current assets			
Inventories		**223**	139
Trade receivables	8	**11,623**	5,382
Prepaid lease payments		**504**	335
Other receivables, deposits and prepayments		**36,913**	19,929
Amounts due from fellow subsidiaries of an associate		**236**	200
Amounts due from associates		**12**	4,642
Tax recoverable		**45**	91
Held-for-trading investments		**75,098**	29,877
Bank balances and deposits with financial institutions		**311,302**	37,154
		435,956	97,749
Current liabilities			
Trade payables	9	**4,926**	6,020
Other payables and accrued charges		**32,430**	9,375
Other borrowings		**24,966**	–
Amounts due to fellow subsidiaries of an associate		**1,233**	1,233
Obligations under finance leases – due within one year		**32**	32
Tax payable		**244**	162
		63,831	16,822
Net current assets		**372,125**	80,927
Total assets less current liabilities		**790,658**	230,570

	2008	2007
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**709,526**	410,698
Reserves	**15,260**	(185,731)
Total equity	**724,786**	224,967
Non-current liabilities		
Obligations under finance leases – due after one year	**40**	71
Deferred tax liabilities	**65,832**	5,532
	65,872	5,603
	790,658	230,570

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements beginning on 1 April 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new and amended HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared. Accordingly, no prior period adjustment is required.

HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Presentation of Financial Statements – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report.

HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 March 2008. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

HK(IFRIC) – Int 10 – Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	"Presentation of Financial Statements" [1]
HKAS 23 (Revised)	"Borrowing Costs" [1]
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements" [4]
HKFRS 2 (Amendment)	"Share-based Payment – Vesting Conditions and Cancellations" [1]
HKFRS 3 (Revised)	"Business Combinations" [4]
HKFRS 8	"Operating Segments" [1]
HKAS 1 (Amendment)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HK(IFRIC) – Interpretation 12	"Service Concession Arrangement" [2]
HK(IFRIC) – Interpretation 13	"Customer Loyalty Programmes" [3]
HK(IFRIC) – Interpretation 14	"HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" [2]
HK(IFRIC) – Interpretation 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 January 2008
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 July 2009

3. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is currently organised into four main business segments:

Publishing	– publishing of comics and related business
Chinese information infrastructure	– sales of Chinese operating system, processor, eTextbook and application software
Property investment	– rental income from investment properties
Crude oil exploration services	– services income from crude oil exploration services (a new business during the year)

Income statement for the year ended 31 March 2008

	Publishing *HK$'000*	Chinese information infrastructure *HK$'000*	Property investment *HK$'000*	Crude oil exploration services *HK$'000*	Consolidated *HK$'000*
Turnover	37,195	52	5,672	1,970	44,889
Segment results	(11,174)	(24,745)	43,158	(9,539)	(2,300)
Unallocated expenses					(31,073)
Share of loss of associates					(11,051)
Gain arising on acquisition of a subsidiary					28,444
Allowances for amounts due from associates					(25,636)
Finance costs					(789)
Loss before income tax					(42,405)
Income tax expense					(7,160)
Loss for the year					(49,565)

Income statement for the year ended 31 March 2007

	Publishing	Chinese information infrastructure	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	41,143	410	5,089	46,642
Segment results	1,183	(14,714)	9,062	(4,469)
Unallocated expenses				(17,856)
Share of loss of associates				(1,662)
Gain on disposal of an associate				891
Gain on disposals of subsidiaries				1,765
Allowances for amounts due from associates				(10,196)
Finance costs				(187)
Loss before income tax				(31,714)
Income tax expense				(2,220)
Loss for the year				(33,934)

Balance sheet at 31 March 2008

	Publishing	**Chinese information infrastructure**	**Property investment**	**Crude oil exploration services**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Assets					
Segment assets	**19,240**	**13,841**	**157,365**	**307,529**	**497,975**
Interests in associates					**25,758**
Amounts due from associates					**12**
Unallocated corporate assets					**330,744**
Consolidated total assets					**854,489**
Liabilities					
Segment liabilities	**9,581**	**1,793**	**1,485**	**48,838**	**61,697**
Unallocated corporate liabilities					**68,006**
Consolidated total liabilities					**129,703**

Balance sheet at 31 March 2007

	Publishing	Chinese information infrastructure	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Segment assets	16,768	12,112	81,667	110,547
Interests in associates				8,248
Amounts due from associates				26,672
Unallocated corporate assets				101,925
Consolidated total assets				247,392
Liabilities				
Segment liabilities	11,695	1,891	6,831	20,417
Unallocated corporate liabilities				2,008
Consolidated total liabilities				22,425

Other information for the year ended 31 March 2008

	Publishing	**Chinese information infrastructure**	**Property investment**	**Crude oil exploration services**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Capital expenditures	**2,761**	**569**	**125**	**231,273**	**–**	**234,728**
Amortisation of prepaid lease payments	**–**	**–**	**–**	**–**	**335**	**335**
Amortisation of intangible assets	**–**	**–**	**–**	**2,879**	**–**	**2,879**
Depreciation of property, plant and equipment	**712**	**639**	**715**	**262**	**450**	**2,778**

Other information for the year ended 31 March 2007

	Publishing *HK$'000*	Chinese information infrastructure *HK$'000*	Property investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Capital expenditures	34	30	–	–	64
Amortisation of prepaid lease payments	–	–	–	335	335
Depreciation of property, plant and equipment	726	2,825	270	1,697	5,518
Impairment loss of property, plant and equipment	–	2,766	–	61	2,827

Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong, Macau and other regions in the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue by location of markets, irrespective of the origin of the goods/services:

	Revenue	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong	**42,867**	46,330
PRC	**1,970**	–
Macau	**52**	312
	44,889	46,642

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Segment assets		**Capital expenditures**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**181,572**	235,949	**2,886**	34
PRC	**308,622**	900	**231,273**	–
Macau	**7,781**	10,543	**569**	30
	497,975	247,392	**234,728**	64

4. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest charges on:		
Finance leases	**4**	9
Other borrowings wholly repayable within five years	**621**	–
Convertible bonds (all issued and converted into share capital during the year)	**164**	178
	789	187

5. LOSS BEFORE INCOME TAX

	2008	2007
	HK$'000	*HK$'000*
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs	**30,423**	27,858
Auditors' remuneration	**760**	700
Provision for impairment of trade receivables	**571**	–
Write-down of inventories	**–**	1,512
Amortisation of prepaid lease payments	**335**	335
Amortisation of intangible assets	**2,879**	–
Depreciation of property, plant and equipment	**2,778**	5,518
Cost of inventories recognised as expenses	**24,829**	29,801
Compensation costs	**–**	2,000
Operating lease rentals in respect of rented premises	**3,633**	1,713
Loss on disposals of held-for-trading investments	**–**	1,549
Property rental income under operating leases, net of direct outgoings of HK$122,000 (2007: HK$193,000)	**(5,550)**	(4,896)

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. No PRC Enterprise Income Tax has been provided as the Group did not derive any assessable income in the PRC during the year.

	2008	2007
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profit tax	**110**	27
Deferred tax	**7,050**	2,193
	7,160	2,220

7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the loss for the year of HK$49,565,000 (2007: HK$33,934,000) and the weighted average number of 5,579,312,000 (2007: 3,942,563,000) ordinary shares in issue during the year.

No diluted loss per share has been presented for both years because the impact of the exercise of the Company's outstanding share options was anti-dilutive.

8. TRADE RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**14,395**	7,583
Less: Impairment of trade receivables	**(2,772)**	(2,201)
	11,623	5,382

The following is the ageing analysis (based on invoice date) of trade receivables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**6,066**	3,975
61 – 90 days	**1,003**	333
Over 90 days	**4,554**	1,074
	11,623	5,382

Credit period granted to customers of publishing, investment properties and crude oil exploration services are normally 30 to 90 days, 30 days and 180 days to 360 days respectively.

Ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired as at balance sheet date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Not yet past due nor impaired	**10,502**	2,815
Past due but not considered impaired		
0 – 60 days	**133**	1,160
61 – 90 days	**46**	333
Over 90 days	**942**	1,074
	11,623	5,382

Trade receivables that are not yet past due relate to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group do not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. Movement in the provision for impairment of trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 April	**2,201**	2,201
Impairment loss charged to the income statement	**571**	–
	2,772	2,201

Ageing analysis of impaired trade receivables was as follows:

	2008	2007
	HK$'000	*HK$'000*
Over 90 days	**2,772**	–

At each balance sheet date, the Group first assesses whether objective evidence of impairment exists individually for trade receivables that are individually significant, and individually or collectively for trade receivables that are not individually significant. The Group also assesses collectively for trade receivables with similar credit risk characteristics for impairment. The impaired trade receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable.

The Group allows an average credit period ranging from 30 days to 360 days depending on the business segments. In general, trade receivables that are aged below one year are not considered impaired based on management's historical experience and the Group would consider impairment provision for trade receivables which are aged one year or above.

Trade receivables are interest-free and unsecured. The directors consider that the carrying amounts of trade receivables approximate to their fair values.

9. TRADE PAYABLES

The following is an ageing analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 – 60 days	**2,290**	744
61- 90 days	**908**	1,653
Over 90 days	**1,728**	3,623
	4,926	6,020

The directors consider that the carrying amounts of trade payables approximate to their fair values.

10. BUSINESS COMBINATION

On 21 January 2008, the Group completed the acquisition in Raise Beauty Investments Limited and its subsidiaries (collectively the "Raise Beauty Group"), through Success Dynasty Limited, a 100% indirectly-owned subsidiary of the Company, at the total consideration of HK$134,435,000 by the issuance of 1,000,000,000 new shares to the vendor. The principal activities of the Raise Beauty Group is the provision of crude oil exploration services.

Details of the net assets acquired and goodwill are as follows:

	HK$'000
Total purchase consideration	**134,435**
Fair value of net assets acquired	**(162,879)**
Excess of the carrying values of net assets acquired over the consideration	**(28,444)**

DIVIDEND

The Board of Directors has resolved not to declare any final dividend for the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2008, the Group's overall turnover decreased by approximately 3.76% to HK$44,889,000, of which approximately HK$37,195,000, HK$52,000, HK$5,672,000 and HK$1,970,000 (2007: HK$41,143,000, HK$410,000, HK$5,089,000 and nil) were attributable to our business of comics publication, Chinese information infrastructure, rental income from investment properties and crude oil exploration service respectively.

Although the Group's consolidated net loss attributable to the shareholders of the Company increased from HK$33,934,000, or HK0.86 cents per share in 2007 to approximately HK$49,565,000, or HK0.89 cents per share in the year, the Group has already begun to turn things around. This discrepancy in performance of the Group resulted primarily from non-cash expenses such as share option expenses of HK$58,666,000 (2007: HK$11,749,000) along with an allowance on loan to associates of HK$25,636,000 (2007: HK$10,196,000), partially offset by a gain of HK$28,444,000 (2007: nil) that resulted from the acquisition of the Raise Beauty Group which possess the right to exploit oil with one of Sinopec Shengli Oilfield Dynamic Group Company Limited's subsidiaries. Excluding these items, the Group's operating profits would have been approximately HK$6,293,000 (2007: HK$11,989,000). Cleaning up the bad loans and freeing up capital and resources that can be redirected toward value-creating growth opportunities are only a few of the many immediate actions that the Group has taken to turn things around. The Group is optimistic of its future, as the restructuring steps taken are evidence that the end of the tunnel is in sight.

Also, as of 31 March 2008, the Group's net asset value was HK$724,786,000 and net asset value per weighted average number of 5,579,312,000 shares of the Company was approximately HK$0.13 (2007: HK$0.06). Increase in net asset value was primarily due to prudent acquisition, fund raising, and the exercise of share options and warrants that were carried out during this year.

Placement of New Shares

On 14 June 2007, the Company and placing agent made an agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, a maximum of 800,000,000 new shares ("Placing Shares") to independent institutional, corporate or individual investors at a price of HK$0.22 per Placing Share (the "Placing"). The Placing was completed on 10 July 2007. The net proceeds from the Placing of approximately HK$167,030,000 will be used for the crude oil exploration services business in the PRC.

On 16 July 2007, the Company entered into a sale and purchase agreement with an independent third party whereby the Company agreed to acquire equity interests in the Raise Beauty Group for a total consideration of 1,000,000,000 new shares of the Group. The placing was completed on 21 January 2008.

Warrants

On 18 August 2005, the Company entered into a placing agreement with a placing agent in relation to the private placing of 660,000,000 warrants ("2007 Warrants") conferring rights to subscribe up to HK$113,520,000 in cash for sales of the Company at an initial subscription of price of HK$0.172 per share during the two years period from 3 October 2005 to 2 October 2007, both days inclusive. The placing of 2007 Warrants was completed on 28 September 2005.

During the year and up to the date of expiry of the 2007 Warrants, 43,820,000 warrants had expired, 616,180,000 had been exercised and the Company received the net proceeds of approximately HK$105,983,000 from the exercise of the warrants.

On 31 October 2007, the Company entered into a placing and underwriting agreement with a placing agent in relation to the private placing of 1,140,000,000 warrants ("2010 Warrants") conferring rights to subscribe up to HK$157,320,000 in aggregate in cash for shares of the Company at an initial subscription price of HK$0.138 per share during the two years period from 7 January 2008 to 6 January 2010, both days inclusive. The placing of 2010 Warrants was completed on 14 December 2007. The net issue proceeds of the placing of approximately HK$23,105,000 was mainly used as general working capital of the Group.

During the year, no registered holders of the 2010 Warrants exercised their rights to subscribe for the Company's shares.

Convertible Bonds

On 24 April 2007, the Company has exercised the option to call for subscription of the Tranche 2 Convertible Bonds. Upon exercising of option, holders of Tranche 1 Convertible Bonds are obliged to subscribe for the Tranche 2 Convertible Bonds at the conversion price of HK$0.10 per share. The issue of the Tranche 2 Convertible Bonds was completed on 11 May 2007 and fully converted into ordinary shares during the year. The net proceeds of approximately HK$35,929,000 was used as general working capital of the Group.

Acquisition

On 19 March 2007, the Group entered into a conditional sale and purchase agreement with an independent third party in relation to the acquisition involving the issue of consideration shares for the PRC media design and advertising business with a total of HK$55,450,000. Due to the disagreement of some directors, a board meeting was then duly held with all directors either present in person or communicated by telephone conference in order to re-consider the acquisition on 30 March 2007. After due and careful consideration of the directors, the acquisition was not approved. On 2 April 2007, the Group entered into a deed of cancellation to cancel the agreement with a compensation that has been provided for in the year ended 31 March 2007.

On 16 July 2007, the Group entered into a sale and purchase agreement with an independent third party whereby the Group agreed to acquire equity interests in the Raise Beauty Group which primarily engages in crude oil exploration services. The consideration was settled by allotment and issue of 1,000,000,000 new shares of the Group and this acquisition together with the issue of the consideration shares was completed on 21 January 2008.

Liquidity and Financial Resources

As at 31 March 2008, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK$311,302,000 and held-for-trading investments of approximately HK$75,098,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 31 March 2008, the Group had a net current asset of approximately HK$372,125,000 (2007: HK$80,927,000) and a current ratio of 6.83 (2007: 5.81). The Group's total liabilities as of 31 March 2008 amounted to approximately HK$129,703,000 (2007: HK$22,425,000) and represented approximately 17.89% (2007: 9.97%) to shareholders' equity.

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. Any future net proceeds from placement of warrants and exercise of warrants and share options would certainly strengthen the positive outlook of the Group and propel it to an even stronger financial position.

Employment and Remuneration Policies

As of 31 March 2008, the Group had a total of 93 (2007: 86) employees of which 34 (2007: 54) are based in Hong Kong, 32 (2007: 30) in Macau and 27 (2007: 2) in the PRC. Total staff costs incurred during the period amounted to approximately HK$30,423,000 (2007: HK$27,858,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

Business Review

The potential slowdown of the global economy will create difficulties to those in the coming years that do not operate on the most efficient and effective enterprise. With this in mind, our Group has undertaken the necessary steps to streamline our core business processes, functions, as well as organizational composition. During the fiscal year, our Group has managed to shed the remaining operational units that were unprofitable and refocused on our core competence of comics licensing business, while continued to branch out into businesses with immediate return. Although the benefits of the restructuring may not have been fully reflected in this financial year, the management of the Group is very confident that the end of the tunnel is in sight. To this end, Culturecom is fully equipped to face the challenges ahead and adapt to any changes to our business segments.

With respect to the technology-business, our Group is at its last stage of restructuring, unloading unprofitable and non-core businesses while actively looking for suitable cooperative partners to enhance and commercialize the Chinese Character Generating Engine and related technologies. In the comic business, our Group is pursuing opportunities in animation and comics licensing within mainland China while continuing to develop in other areas such as inter-media comics, licensed movies, ancillary online games and mobile games. One of the significant ideals of Culturecom has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is developing an Asian-flavor animation/comic creation interface using our very own Generating Engine technology. Our huge animation/comic image database along with this Generating Engine will allow general masses to participate in the production process; lowering cost on one hand, while creating appeal to a new generation of artists as well.

Additionally, our Group took advantage of an opportunity to tap into the resource business as increasing competition in our existing businesses has led to lower-than-expected shareholders' returns. With the continuing economic growth and accelerating urbanization in Greater China, our Group projects a high demand of energy resources in the years ahead. As the current energy supplies become scarce and alternative resources are in question, the management of our Group is confident that the ventures in the resource business will not only yield positive returns but also make significant contributions to the society.

Prospects

Looking ahead, our Group will continue to fortify the relationships with its cooperative partners and business associates. We are always on the lookout for business opportunities with the potential to enhance shareholders' values while minimizing our exposure to risk. In particular, our Group recognizes the right of exploring oil in China is something that is strictly controlled by the Central Government and exclusively exercised by PetroChina, Sinopec and CNOOC. Only a limited number of oil blocks in China is available to foreign enterprises in partnership with these three large state-owned oil companies or their subsidiaries. Our Group's 100% acquisition of a company, which has the right to exploit oil with one of Sinopec's subsidiaries, made us a new entrant to the oil exploration and production ("E&P") business. Not only does this have the potential to bring in a guaranteed profit of not less than RMB19 million for the 12 months period ending 31 December 2008, the acquisition already generated a negative goodwill that partially offset losses during year. Our group intends to seek further cooperation with Sinopec and its subsidiaries in other regions as well as other state-owned enterprises that possess natural resources extraction rights. With our forthcoming cooperation and developments in the pipeline, we look to partner up with major Chinese energy-related companies to penetrate the business of oil E&P in China and around the world.

In addition to venturing in the resource business, our Group believes that the restructuring steps and new initiatives taken so far will come to fruition as they mature over the years. Our Group is particularly excited about the prospect of bringing an animation generating engine on-line that has the potential to allow general masses to become animation creator. This will truly revolutionize the way animation/comic is created. Now and more than ever, our Group is confident of its existing businesses and optimistic of its future direction. We will continue to remain prudent in its investment decisions and explore business opportunities with great potential.

CLOSURE OF REGISTERS OF MEMBERS WARRANT HOLDER

The principal Register of Members and the branch Registers of Members and Warrant Holders will be closed from 3 September 2008 to 9 September 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2008 Annual General Meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. 2 September 2008.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2008.

AUDIT COMMITTEE

The Audit Committee, with written terms of reference in line with the code provisions set out in the Code on Corporate Governance Practices (the "Code") as stipulated in Appendix 14 to the Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Lai Man To, Mr. Joseph Lee Chennault and Mr. Wang Tiao Chun. The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 March 2008.

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 year ended 31 March 2008 except for the following deviations:

Code Provision A.2.1

Under the code provision A.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. In previous years, the duties of a CEO are performed by Mr. Cheung Wai Tung, the Chairman of the Company, in the same capacity as the CEO of the Company. This constituted a deviation from Code Provision A.2.1. Subsequently, the Company had actively taken steps to identify a suitable candidate to take up the post of the CEO. Mr. Kwan Kin Chung was appointed as the Acting CEO of the Company in April 2007 and takes up the role of CEO to handle the day-to-day management of the Company temporary. As a result, the roles of the chairman and the CEO of the Company has since then be assumed by different individuals and accordingly the Company has no longer deviated from Code Provision A.2.1. A clear distinction between the chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Group is also ensured. The Board appointed Mr. Yu Huaguo as CEO on 6 May 2008.

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 Chairman of the Board, Mr. Cheung Wai Tung was unable to attend the annual general meeting of the Company held on 21 September 2007 as he was on business trip for other important business engagement. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 year ended 31 March 2008.

PUBLICATION OF RESULTS ANNOUNCEMENT

This results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.culturecom.com.hk. The annual report will be despatched to the shareholders of the Company and will be published on the above websites in due course.

On behalf of the Board
Culturecom Holdings Limited
Cheung Wai Tung
Chairman

Hong Kong, 22 July 2008

As at the date of this announcement, the Board comprises of Mr. Cheung Wai Tung, Mr. Chu Bong Foo, Mr. Kwan Kin Chung, Mr. Henry Chang Manayan, Mr. Wan Xiaolin, Mr. Tai Cheong Sao, Mr. Chung Billy and Mr. Tang U Fai (all being executive Directors); and Mr. Lai Man To, Mr. Wang Tiao Chun, Mr. Joseph Lee Chennault (all being independent non-executive Directors).

* *For identification purpose only*