



2010 | 2011

Interim Report



CULTURECOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 343)

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheung Wai Tung (*Chairman*)
 Mr. Chu Bong Foo (*Vice-Chairman*)
 Mr. Kwan Kin Chung (*Managing Director*)
 Mr. Wan Xiaolin
 Mr. Chung Billy
 Mr. Tang U Fai
 Mr. Tang Kwing Chuen Kenneth
 Mr. Chen Man Lung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wai Wa
 Mr. Joseph Lee Chennault
 Mr. Lai Qiang

COMPANY SECRETARY

Mr. Tong Wai Sum

AUDIT COMMITTEE

Mr. Tsang Wai Wa
 Mr. Joseph Lee Chennault
 Mr. Lai Qiang

REMUNERATION COMMITTEE

Mr. Tsang Wai Wa
 Mr. Wan Xiaolin
 Mr. Lai Qiang

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

SOLICITORS

Michael Li & Co.
 Appleby

AUDITORS

BDO Limited

PUBLIC RELATION

PR Concepts Asia Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

PRINCIPAL OFFICE

6th Floor, Culturecom Centre
 47 Hung To Road, Kwun Tong
 Kowloon
 Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke
 Bermuda

BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716
 17th Floor, Hopewell Centre
 183 Queen's Road East
 Wan Chai
 Hong Kong

COMPANY WEBSITE

www.culturecom.com.hk

STOCK CODE

343

CHAIRMAN'S STATEMENT

Business Review

Although the aftershock of the global economic recession in the past few years is on its way to recovery, by no means do businesses come in an easy breeze. Our Group continues to act with great prudence, in order to ensure its businesses are always operating on the most efficient and effective enterprise. As before, our Group has implemented guidelines to regularly revalue its position in the marketplace and has refocused on our core competence of comics licensing, while continually branching out to exciting businesses with enormous growth potential. Despite the measures our Group has taken, the overall results for the period were greatly affected by the fair value changes in financial assets, resulting in losses that were higher than expected. Nevertheless, we are happy to report that the early steps we have taken to set up incubating multimedia production facilities and training grounds for artists and like-minded animators in China is slowly materialising after months of preparation. In general, this is a particularly exciting time for our Group, as the various pieces of the puzzle are finally beginning to take shape one by one to become something truly magnificent.

A number of our achievements in the past six months deserve some attention. In our technology-business, our Group actively seeks for suitable cooperative partners to enhance and further commercialise its technologies. In the comics business, our Group has fortified its licensing business with additional resources, actively pursued opportunities in online gaming, animation and movie production, while continued to extend its reach to other media forms. One of the golden 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 the mass public to participate in the production process; lowering cost on one hand, while appealing to a new generation of artists. Besides comics, our Group's venture in the petroleum extraction business has started to take shape and acting with prudence, our Group has devoted much effort on fine-tuning our exploration in the first half, leaving much of the oil extraction work in the second half of the year. As a result, the operation's impact to the overall financial results has been minimal but from the geology information gathered so far, our Group is confident that the oil extraction venture in Shengli Oilfield and Chaoshui Basin has the potential to yield promising results in the years to come.

Prospects

Looking ahead, our Group is excited about its future projects, and optimistic of its upcoming journey. We are proud of our acute vision on identifying prospective business opportunities, and will continue to foster our relationships with the existing cooperative partners and business associates. We have demonstrated that our concern for the potential to enhance shareholders' values and minimising our exposure to risk continue to be our priorities. Our Group strongly believes in the enormous potential for conducting businesses in China. The Chinese retail market has been developing rapidly over the past few years, as evident in the many new chain store networks, malls and shopping streets appearing not only in the commercial cities of Beijing, Guangzhou and Shanghai but in the suburban areas as well. Leveraging on the Group's extensive network around the globe, its understanding and knowledge of Chinese business mentalities, as well as its professional technological platform, our Group is equipped with the resources necessary to effectively conduct business-to-business commerce and assist retailers to expand their businesses, both on the local and international levels. In addition to retails and wholesales, our Group is making significant inroads to our core business of animation and comics market in Asia by setting up incubating multimedia production facilities as well as training grounds for content creators and like-minded animators in China. Our Group is particularly excited about the prospect of bringing such facilities online, especially with full backing from the local authorities as well as the investment community. These facilities will be the breeding ground for a whole new generation of creators and the place to go for all kinds of multimedia production. Now and more than ever, our Group is confident of its existing businesses and optimistic of its future direction. All in all, we salute to our shareholders wholeheartedly, and promise that we will continue to strive for the best investment strategies that would be beneficial to them in the long run.

Appreciation

I would like to express my sincere gratitude to the Board of Directors, our management and to all our staff for their dedicated efforts during this period; as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

INTERIM RESULTS

The board of directors (the "Board") 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 2010 together with the comparative figures for the corresponding period of 2009 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Notes	Six months ended 30 September	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	3	22,464	18,072
Cost of sales		(12,880)	(10,174)
Gross profit		9,584	7,898
Other income	4	15,644	723
Administrative expenses		(31,988)	(28,554)
(Decrease)/Increase in fair value of financial assets at fair value through profit or loss		(13,968)	16,972
Share of losses of associates		(499)	(1,085)
Finance costs	6	(74)	(4)
Loss before income tax	7	(21,301)	(4,050)
Income tax credit	8	1,571	1,440
Loss for the period		(19,730)	(2,610)
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		5,303	572
Other comprehensive income for the period		5,303	572
Total comprehensive income for the period		(14,427)	(2,038)
Loss for the period attributable to:			
Owners of the Company		(19,245)	(2,174)
Non-controlling interests		(485)	(436)
		(19,730)	(2,610)
Total comprehensive income attributable to:			
Owners of the Company		(13,942)	(1,602)
Non-controlling interests		(485)	(436)
		(14,427)	(2,038)
Loss per share attributable to the owners of the Company during the period	9		
Basic		HK2.79 cents	HK0.32 cents
Diluted		N/A	N/A

The notes on pages 9 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

	Notes	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	10	90,547	91,107
Investment properties	10	151,236	151,236
Long term deposits		2,330	2,284
Interests in associates		23,220	23,718
Goodwill	11	2,617	2,617
Intangible assets	12	164,861	167,870
Available-for-sale financial asset		20,000	10,000
		454,811	448,832
Current assets			
Inventories		2,861	1,969
Trade receivables	13	17,104	12,693
Other receivables, deposits and prepayments	14	16,798	19,446
Amounts due from a related company		2,655	-
Amounts due from associates		48	48
Tax recoverable		36	36
Financial assets at fair value through profit or loss		97,718	86,378
Bank balances and deposits with financial institutions		123,016	160,514
		260,236	281,084
Current liabilities			
Trade payables	15	6,400	5,058
Other payables and accrued charges		20,818	20,182
Amounts due to fellow subsidiaries of an associate		677	1,174
Amounts due to associates		32	641
Obligations under finance leases - due within one year	16	43	43
Tax payable		717	703
		28,687	27,801
Net current assets		231,549	253,283
Total assets less current liabilities		686,360	702,115

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2010

	Notes	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (restated)
EQUITY			
Share capital	17	689,256	689,256
Reserves		(60,797)	(46,855)
Equity attributable to owners of the Company		628,459	642,401
Non-controlling interests		3,014	3,499
Total equity		631,473	645,900
Non-current liabilities			
Obligations under finance leases			
– due after one year	16	70	93
Deferred tax liabilities		54,817	56,122
		54,887	56,215
		686,360	702,115

The notes on pages 9 to 23 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company										Non-controlling interest	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment property revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 April 2009 (audited)	689,456	931,509	171,671	24,586	446	10,620	63,619	2,149	(1,267,627)	626,429	-	626,429
Share repurchase and cancellation	(200)	53	-	147	-	-	-	-	-	-	-	-
Share consolidation expenses	-	(50)	-	-	-	-	-	-	-	(50)	-	(50)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,784	2,784
Transactions with owners	(200)	3	-	147	-	-	-	-	-	(50)	2,784	2,734
Loss for the period	-	-	-	-	-	-	-	-	(2,174)	(2,174)	(436)	(2,610)
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	572	-	-	-	572	-	572
Total comprehensive income for the period	-	-	-	-	-	572	-	-	(2,174)	(1,602)	(436)	(2,038)
At 30 September 2009 (unaudited)	<u>689,256</u>	<u>931,512</u>	<u>171,671</u>	<u>24,733</u>	<u>446</u>	<u>11,192</u>	<u>63,619</u>	<u>2,149</u>	<u>(1,269,801)</u>	<u>624,777</u>	<u>2,348</u>	<u>627,125</u>
At 1 April 2010 (audited)	689,256	931,511	171,671	128	446	12,949	63,619	2,149	(1,229,328)	642,401	3,499	645,900
Loss for the period	-	-	-	-	-	-	-	-	(19,245)	(19,245)	(485)	(19,730)
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	5,303	-	-	-	5,303	-	5,303
Total comprehensive income for the period	-	-	-	-	-	5,303	-	-	(19,245)	(13,942)	(485)	(14,427)
At 30 September 2010 (unaudited)	<u>689,256</u>	<u>931,511</u>	<u>171,671</u>	<u>128</u>	<u>446</u>	<u>18,252</u>	<u>63,619</u>	<u>2,149</u>	<u>(1,248,573)</u>	<u>628,459</u>	<u>3,014</u>	<u>631,473</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash (used in)/generated from operations	(26,677)	13,357
Net cash used in investing activities	(11,606)	(1,831)
Net cash used in financing activities	(97)	(75)
Net (decrease)/increase in cash and cash equivalents	(38,380)	11,451
Cash and cash equivalents at 1 April	160,514	130,240
Effect of foreign exchange rate changes	882	444
Cash and cash equivalents at 30 September	<u>123,016</u>	<u>142,135</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits with financial institutions	<u>123,016</u>	<u>142,135</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2010 and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by the HKICPA, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payments Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement - Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK Interpretation 4 (Revised in December 2009)	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Apart from the above, the Group has also adopted Improvements to HKFRSs* issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements, except for the followings:

HKAS 17 Amendments Leases - Classification of Leases of Land and Building

HKAS 17 Amendments delete specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid lease payments for land", and amortised over the lease term.

HKAS 17 Amendments have been applied retrospectively for annual period beginning 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively.

When the property interest is held by own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of asset and the lease term.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The effect of the adoption of this amendment is as below:

	30 September 2010 HK\$'000	31 March 2010 HK\$'000
Decrease in prepaid lease payments	(14,238)	(14,621)
Increase in property, plant and equipment	14,238	14,621
	Six months ended 30 September 2010 HK\$'000	2009 HK\$'000
Decrease in amortisation of prepaid lease payments	(192)	(382)
Increase in depreciation of property, plant and equipment	192	382

The adoption of the other HKFRSs has had no effect on the Group's unaudited condensed consolidated financial statements.

The Group has not early adopted any other new and revised HKFRSs that was issued but is not yet effective.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE

Revenue, which is also the Group's turnover, represents the amount received and receivable for goods sold by the Group less returns and allowances, rental income and exploration and production services income and is analysed as follows:

	Six months end 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Sales of goods	15,481	12,569
Rental income	3,277	3,311
Exploration and production services income	3,706	2,192
	22,464	18,072

4. OTHER INCOME

	Six months end 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Gain/(Loss) on disposals of financial assets at fair value through profit or loss	14,748	(975)
Interest income on bank deposits	376	1,223
Management fee income	13	-
Sundry income	505	198
Dividend received from listed equity securities	2	277
	15,644	723

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION

The executive directors have identified the Group's product and service lines as operating segments. These operating segments are monitored and strategic decisions are made based on segment's performance.

The Group has identified the following reportable segments:

- Publishing: Publication of comic books and royalty income from licensing comic books
- Property investment: Property investment for the property located in Hong Kong
- Crude oil exploration services: Crude oil exploration services in the People's Republic of China (the "PRC")
- Chinese information infrastructure: Provision of server management and data warehousing services
- Electronic card service: Electronic card payment services in convenience stores, supermarkets, fast-foods restaurants, hotel, online shopping and other point-of-sale applications such as service stations and vending machines
- Retailing and wholesales: Retailing of clothes, cosmetics and ladies accessories in Hong Kong and Macau and wholesales of insulation materials in Japan

Information about other business activities and operating segments that are not reportable are combined and disclosed in "Others". Others included catering services in Macau.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

Information regarding the Group's reportable segments is set out below:

For the six months ended 30 September 2010

	Publishing	Property investment	Crude oil exploration services	Chinese information infrastructure	Electronic card service	Retailing and wholesales	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue								
From external customers	13,359	3,277	3,706	-	74	1,417	631	22,464
From other segments	6	743	-	-	-	323	-	1,072
Reportable segment revenue	13,365	4,020	3,706	-	74	1,740	631	23,536
Reportable segment profit/(loss)	4,072	(295)	(7,662)	(2,440)	(1,441)	(3,506)	(919)	(12,191)
Other information								
Amortisation of intangible assets	-	-	5,905	-	409	-	-	6,314
Bank interest income	-	-	368	-	5	-	3	376
Depreciation of property, plant and equipment	75	626	2,018	-	52	39	-	2,810

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2009

	Publishing HK\$'000 (unaudited)	Property investment HK\$'000 (unaudited)	Crude oil exploration services HK\$'000 (unaudited)	Chinese information infrastructure HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue					
From external customers	12,402	3,311	2,192	167	18,072
From other segments	3	568	-	-	571
Reportable segment revenue	12,405	3,879	2,192	167	18,643
Reportable segment profit/(loss)	2,517	188	(6,731)	(7,512)	(11,538)
Other information					
Amortisation of intangible assets	-	-	5,761	-	5,761
Bank interest income	-	-	266	14	280
Depreciation of property, plant and equipment	76	646	-	439	1,161

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements are as follows:

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Reportable segment revenue	23,536	18,643
Elimination of inter segment revenue	(1,072)	(571)
Group revenue	<u>22,464</u>	<u>18,072</u>
Reportable segment loss	(12,191)	(11,538)
(Decrease)/Increase in fair value of financial assets at fair value through profit or loss	(13,968)	16,972
Share of losses of associates	(499)	(1,085)
Unallocated corporate income/(expenses)	5,431	(8,395)
Finance costs	(74)	(4)
Loss before income tax	<u>(21,301)</u>	<u>(4,050)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

The Group's revenue from external customers are divided into the following geographical areas:

	Revenue from customers	
	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong (place of domicile)	16,840	15,714
The PRC	3,780	2,268
Macau	641	90
Japan	1,203	-
	<u>22,464</u>	<u>18,072</u>

The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

6. FINANCE COSTS

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest charges on:		
Finance leases	4	4
Other borrowings wholly repayable within five years	70	-
	<u>74</u>	<u>4</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs, including directors emoluments	9,826	9,482
Amortisation of intangible assets	6,314	5,761
Depreciation of property, plant and equipment		
- Owned assets	3,021	1,749
- Assets held under finance leases	16	16
Dividend income	(2)	277

8. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been provided in the financial statements as the Group had no estimated assessable profits for the period (2009: nil). The Group also had no assessable profits in other jurisdictions in both periods.

	Six months ended 30 September	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
The tax credit comprises:		
Current tax	-	-
Deferred tax		
- Revaluation of intangible assets	1,571	1,440
	<u>1,571</u>	<u>1,440</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the loss for the period of HK\$19,245,000 (2009: HK\$2,174,000) and the weighted average number of 689,255,964 (2009: 689,263,614) ordinary shares in issue during the period.

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired equipment amounting to HK\$1,607,000 (2009: HK\$3,849,000).

The Directors are of the opinion that the market value of the Group's investment properties as at 31 March 2010 is not materially different from the carrying value of the investment properties as at 30 September 2010. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

11. GOODWILL

The carrying amount of goodwill result from acquisition of subsidiary and the group's management have been taken into consideration on past performance and its expectations for the subsidiary. There was no change in any carrying amount of goodwill as at 30 September 2010.

12. INTANGIBLE ASSETS

	Exploration and production services right	Club memberships	Computer software	Licence	Customer relationship	Retailer contracts	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount at							
1 April 2010 (audited)	162,000	1,385	1,212	916	352	2,005	167,870
Amortisation	(5,905)	-	(111)	(83)	(32)	(183)	(6,314)
Exchange realignment	3,352	-	(13)	(9)	(3)	(22)	3,305
	<u>159,447</u>	<u>1,385</u>	<u>1,088</u>	<u>824</u>	<u>317</u>	<u>1,800</u>	<u>164,861</u>
Carrying amount at 30 September 2010 (unaudited)	<u>159,447</u>	<u>1,385</u>	<u>1,088</u>	<u>824</u>	<u>317</u>	<u>1,800</u>	<u>164,861</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. TRADE RECEIVABLES

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

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
0 - 60 days	5,273	8,010
61 - 90 days	1,825	1,487
91 - 180 days	3,292	3,148
Over 180 days	6,714	48
	17,104	12,693

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

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Other receivables	11,915	13,850
Deposits and prepayments	4,883	5,596
	16,798	19,446

Other receivables, deposits and prepayments are interest-free and unsecured. The directors consider that the carrying amounts of other receivables approximate to their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. TRADE PAYABLES

The following an ageing analysis of trade payables at the reporting date:

	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
0 - 60 days	4,022	2,170
61- 90 days	1,653	933
Over 90 days	725	1,955
	6,400	5,058

The balances as at the reporting date are interest-free and are expected to be settled within one year. The directors consider that the carrying amounts of trade payables approximate to their fair values.

16. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease Payments		Present value of minimum lease payments	
	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)	30 September 2010 HK\$'000 (unaudited)	31 March 2010 HK\$'000 (audited)
Amounts payable under finance leases:				
Within one year	51	52	43	43
In the second to fifth years inclusive	86	112	70	93
	137	164	113	136
Less: Future finance charges	(24)	(28)	-	-
Present value of lease obligations	113	136	113	136
Less: Amounts due within one year			(43)	(43)
Amounts due after one year			70	93

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

The balances are secured by the lessor's charge over the leased assets. The lease terms in respect of assets held under finance leases are 5 years. During the period, average effective borrowing rate was 9% (31 March 2010: 9%). Interest rate is fixed at the contract date.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

17. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Number of share '000	Share capital HK\$'000
Ordinary shares of HK\$1.0 each		
Authorised:		
At 31 March and 30 September 2010	1,000,000	1,000,000
Issued and fully paid:		
At 31 March and 30 September 2010	689,256	689,256

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with certain related parties:

	Royalty income from related companies		Rental income received from related companies		Other income received from related companies		Other expense paid to related companies		Amounts due from related companies	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Associates	-	-	440	478	5	11	115	31	48	33
Fellow subsidiaries of associates	-	-	-	-	-	-	-	-	-	236
Related companies by common directors	100 ^(a)	-	-	-	-	-	-	-	2,655 ^(b)	-

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) On 29 June 2010, the Group entered into a licensing agreement ("Licensing Agreement") with Mutual Work Media Investment Fund Limited ("Mutual Work"), of which Mr. Chen Man Lung, an executive Director of the company, is holding 100% of the interest of Mutual Work. Pursuant to the licensing agreement, the Group granted to Mutual Work certain rights to exploit a section of the properties selected by Mutual Work, including any copyright work, characters, appearance of character, story title of the story, plot, theme, dialogues or action embodied therein, for the production of movies.

The Licensing agreement lasts for 3 years commencing on 29 June 2010 and will expired on 28 June 2013. During the period, the income earned from the Licensing Agreement between the Group and Mutual Work was \$100,000, not exceeding the relevant cap.

- (b) The amounts due from a related company of HK\$2,654,800 (equivalent to approximately RMB2,340,206) are for the remaining balance of the profit guarantee on the acquisition of Raise Beauty Group.

19. CAPITAL COMMITMENTS

The Company did not have any capital commitment as at 30 September 2010 (31 March 2010: nil).

20. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2010 (2009: nil).

21. COMPARATIVE FIGURES

As a result of the application of HKAS 17, Amendments lease - classification of leases of land and building, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 September 2010, the Group's overall revenue from external customers increased by 24.3% to HK\$22,464,000 of which approximately HK\$13,359,000, HK\$3,277,000, HK\$3,706,000, nil, HK\$74,000, HK\$1,417,000 and HK\$631,000 (30 September 2009: HK\$12,402,000, HK\$3,311,000, HK\$2,192,000, HK\$167,000, nil, nil and nil) were attributable to our business of publishing, property investment, crude oil exploration services, Chinese information infrastructure, electronic card service, retailing and wholesales and others respectively.

The Group's consolidated net loss attributable to the owner of the company changed from HK\$2,174,000 or HK0.32 cents per share in 2009 to approximately HK\$19,245,000 or HK2.79 cents per share in this period and this was primarily due to the decrease in the amount of HK\$13,968,000 (2009: increase of HK\$16,972,000) in the fair value of financial assets at fair value through profit or loss.

Also, as of 30 September 2010, the Group's net asset value was HK\$631,473,000 and net asset value per weighted average number of 689,255,964 shares of the Company was approximately HK\$0.92 (31 March 2010: HK\$0.94).

Liquidity and Financial Resources

As at 30 September 2010, the Group had bank and deposits with financial institutions balance in aggregate of approximately HK\$123,016,000 and financial assets at fair value through profit or loss of HK\$97,718,000. The Group has no significant exposure to foreign exchanges rate fluctuation. As of 30 September 2010, the Group had a net current asset of approximately HK\$231,549,000 (31 March 2010: HK\$253,283,000) and a current ratio of 9.07 (31 March 2010: 10.11). The Group's total liabilities as of 30 September 2010 amounted to approximately HK\$83,574,000 (31 March 2010: HK\$84,016,000) and represented approximately 13.3% (31 March 2010: 13.1%) 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.

Employment and Remuneration Policies

As of 30 September 2010, the Group had a total of 129 (30 September 2009: 129) employees. Total staff costs incurred during the period amounted to approximately HK\$9,826,000 (30 September 2009: HK\$9,482,000). 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.

INTERIM DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2010 (2009: nil).

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 six months ended 30 September 2010.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme (the "Share Option Scheme") on its 2002 Annual General Meeting held on 21 August 2002.

The number of shares available for issue under the Share Option Scheme as at the date of the Interim Report is 144,650,000 which representing approximately 20.99% of the issued share capital of the Company at of that date.

SHARE OPTION SCHEMES (CONTINUED)

Details of the movement of the share options granted under the 2002 Scheme during the six months ended 30 September 2010 are as follows:

	Date of Grant	At 1 April 2010	Number of share options				At 30 September 2010	Exercise price per share	Exercisable period
			Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period	Granted/ Exercised/ Cancelled during the period			
HK\$									
(a) Directors									
Mr. Cheung Wai Tung	19 December 2003	400,000	-	-	-	-	400,000	2.65	19 December 2003 to 18 December 2013
Mr. Kwan Kin Chung	(i) 7 July 2006	800,000	-	-	-	-	800,000	1.01	7 July 2006 to 6 July 2016
	(ii) 29 June 2007	100,000	-	-	-	-	100,000	2.37	29 June 2007 to 28 June 2017
	(iii) 6 November 2007	800,000	-	-	-	-	800,000	1.56	6 November 2007 to 5 November 2017
Mr. Henry Chang Manayan	19 December 2003	100,000	-	(100,000) (Note 1)	-	-	-	2.65	19 December 2003 to 18 December 2013
Mr. Wan Xiaolin	19 December 2003	300,000	-	-	-	-	300,000	2.65	19 December 2003 to 18 December 2013
Mr. Tang U Fai	(i) 19 December 2003	100,000	-	-	-	-	100,000	2.65	19 December 2003 to 18 December 2013
	(ii) 24 March 2005	1,600,000	-	-	-	-	1,600,000	2.95	24 March 2005 to 23 March 2015
	(iii) 7 July 2006	100,000	-	-	-	-	100,000	1.01	7 July 2006 to 6 July 2016
Mr. Tang Kwing Chuen Kenneth	7 July 2006	50,000	-	-	-	-	50,000	1.01	7 July 2006 to 6 July 2016

SHARE OPTION SCHEMES (CONTINUED)

		Date of Grant	At 1 April 2010	Number of share options				At 30 September 2010	Exercise price per share	Exercisable period
				Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period	Granted/ Exercised/ Cancelled during the period			
								HK\$		
Mr. Chen Man Lung	(i)	24 March 2005	1,300,000	-	-	-	-	1,300,000	2.95	24 March 2005 to 23 March 2015
	(ii)	7 July 2006	650,000	-	-	-	-	650,000	1.01	7 July 2006 to 6 July 2016
	(iii)	29 June 2007	1,100,000	-	-	-	-	1,100,000	2.37	29 June 2007 to 28 June 2017
	(iv)	6 November 2007	1,500,000	-	-	-	-	1,500,000	1.56	6 November 2007 to 5 November 2017
(b) Employees	(i)	19 December 2003	3,240,000	-	-	-	-	3,240,000	2.65	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	4,000,000	-	-	-	-	4,000,000	2.95	24 March 2005 to 23 March 2015
	(iii)	7 July 2006	300,000	-	-	-	-	300,000	1.01	7 July 2006 to 6 July 2016
	(iv)	29 June 2007	9,550,000	-	-	-	-	9,550,000	2.37	29 June 2007 to 28 June 2017
	(v)	6 November 2007	11,200,000	-	-	-	-	11,200,000	1.56	6 November 2007 to 5 November 2017

SHARE OPTION SCHEMES (CONTINUED)

		Date of Grant	At 1 April 2010	Number of share options					At 30 September 2010	Exercise price per share	Exercisable period
				Transfer from other category during the period	Transfer to other category during the period	Lapsed during the period	Granted/ Exercised/ Cancelled during the period				
									HK\$		
(c)	Others	(i) 19 December 2003	1,770,000	100,000 (Note 1)	-	-	-	1,870,000	2.65	19 December 2003 to 18 December 2013	
		(ii) 24 March 2005	20,050,000	-	-	-	-	20,050,000	2.95	24 March 2005 to 23 March 2015	
		(iii) 3 October 2005	3,000,000	-	-	-	-	3,000,000	2.12	3 October 2005 to 2 October 2015	
		(iv) 7 July 2006	11,690,000	-	-	-	-	11,690,000	1.01	7 July 2006 to 6 July 2016	
		(v) 29 June 2007	29,250,000	-	-	-	-	29,250,000	2.37	29 June 2007 to 28 June 2017	
		(vi) 6 November 2007	41,700,000	-	-	-	-	41,700,000	1.56	6 November 2007 to 5 November 2017	

Notes:

- Mr. Henry Chang Manayan has retired as executive Director of the Company on 13 September 2010.
- The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 30 September 2010, all options have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Other than the share option holdings disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors at the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSURE OF INTERESTS

(a) Interests of the Directors

As at 30 September 2010, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Interests in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	188,600	0.03%
Mr. Chu Bong Foo	(i) Beneficial owner (ii) Interests of a controlled corporation	Personal interest Corporate interest	16,018,000 12,287,200 (Note 1)	4.11%
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	200,000 (Note 2)	0.03%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	50,000	0.01%
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	380,000	0.06%

Notes:

- (1) 12,287,200 shares are held by Bay-Club Enterprises Inc., the entire issued share capital of which is beneficially owned by Mr. Chu Bong Foo.
- (2) Mr. Henry Chang Manayan has retired as executive Director of the Company on 13 September 2010.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Interests in shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity	Nature of interests	Number of shares held	% of issued share capital of the associated corporation
China Bio Cassava Holdings Limited	Mr. Kwan Kin Chung	Beneficial owner	Personal interest	16,000,000 (Note 1)	0.20%
	Mr. Chung Billy	Beneficial owner	Personal interest	3,200,000 (Note 2)	0.04%
	Mr. Tang U Fai	Beneficial owner	Personal interest	4,000,000 (Note 3)	0.05%
	Mr. Tsang Wai Wa	Beneficial owner	Personal interest	2,505,420 (Note 4)	0.03%
	Mr. Chen Man Lung	Beneficial owner	Personal interest	16,000,000 (Note 5)	0.20%
	Mr. Wan Xiaolin	Beneficial owner	Personal interest	12,000,000 (Note 6)	0.15%

Notes:

1. Mr. Kwan Kin Chung is beneficially interested in 16,000,000 share options in China Bio Cassava Holdings Limited.
2. Mr. Chung Billy is beneficially interested in 1,200,000 ordinary shares and 2,000,000 share options in China Bio Cassava Holdings Limited.
3. Mr. Tang U Fai is beneficially interested in 4,000,000 share options in China Bio Cassava Holdings Limited.
4. Mr. Tsang Wai Wa is beneficially interested in 2,505,420 ordinary shares in China Bio Cassava Holdings Limited.
5. Mr. Chen Man Lung is beneficially interested in 16,000,000 share options in China Bio Cassava Holdings Limited.
6. Mr. Wan Xiaolin is beneficially interested in 12,000,000 share options in China Bio Cassava Holdings Limited.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Interests in share options of the Company

Name of Director	Capacity	Nature of interests	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital
				HK\$		
Mr. Cheung Wai Tung	Beneficial owner	Personal interest	400,000	2.65	19 December 2003 to 18 December 2013	0.06%
Mr. Kwan Kin Chung	(i) Beneficial owner	Personal interest	800,000	1.01	7 July 2006 to 6 July 2016	0.25%
	(ii) Beneficial owner	Personal interest	100,000	2.37	29 June 2007 to 28 June 2017	
	(iii) Beneficial owner	Personal interest	800,000	1.56	6 November 2007 to 5 November 2017	
Mr. Henry Chang Manayan	Beneficial owner	Personal interest	100,000 (Note 1)	2.65	19 December 2003 to 18 December 2013	0.01%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	300,000	2.65	19 December 2003 to 18 December 2013	0.04%

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Interests in share options of the Company (continued)

Name of Director	Capacity	Nature of interests	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital
				HK\$		
Mr. Tang U Fai	(i) Beneficial owner	Personal interest	100,000	2.65	19 December 2003 to 18 December 2013	0.26%
	(ii) Beneficial owner	Personal interest	1,600,000	2.95	24 March 2005 to 23 March 2015	
	(iii) Beneficial owner	Personal interest	100,000	1.01	7 July 2006 to 6 July 2016	
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	50,000	1.01	7 July 2006 to 6 July 2016	0.01%
Mr. Chen Man Lung	(i) Beneficial owner	Personal interest	1,300,000	2.95	24 March 2005 to 23 March 2015	0.66%
	(ii) Beneficial owner	Personal interest	650,000	1.01	7 July 2006 to 6 July 2016	
	(iii) Beneficial owner	Personal interest	1,100,000	2.37	29 June 2007 to 28 June 2017	
	(iv) Beneficial Owner	Personal interest	1,500,000	1.56	6 November 2007 to 5 November 2017	

Notes:

1. Mr. Henry Chang Manayan has retired as executive Director of the Company on 13 September 2010.
2. The options exercise period is commenced from the date of grant for ten years. The options may be exercised at any time with the option period provided that the options have been vested. As at 30 September 2010, all options have been vested.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS (CONTINUED)

(a) Interests of the Directors (continued)

Interests in share options of the Company (continued)

Save as disclosed above, as at 30 September 2010, none of the Directors nor chief executive of the Company had interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Interests of Substantial Shareholders

As at 30 September 2010, so far as is known to any Director or chief executive of the Company, the following person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

(a) Interests in the shares of the Company

Name	Capacity	Number of shares held	Approximate percentage of issued share capital
L & W Holding Limited	Beneficial owner	54,332,400	7.88%
Harvest Smart Overseas Limited	Beneficial owner and interests in controlled corporation (Note 1)	89,304,000	12.96%
Mr. Basilio Dizon	Interests in a controlled corporation and interests of spouse (Note 2)	161,999,600	23.50%
Ms. Chow Lai Wah Livia	Beneficial owner, interests in a controlled corporation and interests of spouse (Note 3)	161,999,600	23.50%

DISCLOSURE OF INTERESTS (CONTINUED)

(b) Interests of Substantial Shareholders (continued)

(a) *Interests in the shares of the Company (continued)*

Notes:

1. Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 62,714,600 shares and is deemed to be interested in 26,589,400 shares held by Chamberlin Investments Limited ("Chamberlin"). Harvest Smart has controlling interests (35.76%) in Viagold Capital Limited ("Viagold") and Chamberlin is a wholly owned subsidiary of Viagold. Therefore, Harvest Smart is deemed to be interested in 26,589,400 shares in the Company under SFO.
2. Mr. Basilio Dizon ("Mr. Dizon") has controlling interests 35% and 90.77% in L & W Holding Limited ("L & W") and Harvest Smart respectively. Ms. Chow Lai Wah Livia ("Ms. Chow"), the wife of Mr. Dizon, is beneficially interested in 18,363,200 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 161,999,600 shares in the Company under SFO.
3. Ms. Chow is beneficially interested in 18,363,200 shares in the Company. She is the wife of Mr. Dizon and has controlling interests in L & W. Accordingly, Ms. Chow is deemed to be interested in 143,636,400 shares in the Company under SFO.

All interests stated above represent long positions.

Save as disclosed above, as at 30 September 2010, the Directors and the chief executive of the Company were not aware of any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Details of transactions are set out in note 18 to the financial statements.

Saved as disclosed above, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

AUDIT COMMITTEE

The audit committee of the Company, 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, currently comprises three independent non-executive Directors, namely Mr. Tsang Wai Wa, Mr. Joseph Lee Chennault and Mr. Lai Qiang. 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 and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2010.

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 during the six months ended 30 September 2010 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (CONTINUED)

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 13 September 2010 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.

DIRECTORS' SECURITIES TRANSACTIONS

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 2010.

By Order of the Board
CULTURECOM HOLDINGS LIMITED
Cheung Wai Tung
Chairman

Hong Kong, 26 November 2010