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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: 343)

(Warrant Code: 824)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

#### 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 2012 together with the comparative figures for the corresponding period of 2011 are as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2012</b>	<b>2011</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations:</b>			
Revenue	3	<b>20,411</b>	22,802
Cost of sales		<b>(12,354)</b>	(15,733)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>8,057</b>	7,069
Other income	4	<b>1,402</b>	1,561
Administrative expenses		<b>(49,812)</b>	(32,652)
Decrease in fair value of financial assets at fair value through profit or loss		<b>(9,872)</b>	(36,865)
Share of losses of associates		<b>(1,604)</b>	(1,087)
Impairment of available-for-sale financial asset	11	<b>(15,000)</b>	–
Finance costs	6	<b>(4)</b>	(4)
		<hr/>	<hr/>
<b>Loss before income tax</b>	7	<b>(66,833)</b>	(61,978)
Income tax credit	8	<b>1,168</b>	740
		<hr/>	<hr/>
Loss after income tax from continuing operations		<b>(65,665)</b>	(61,238)
<b>Discontinued operations:</b>			
Profit for the period	9	–	54,780
		<hr/>	<hr/>
<b>Loss for the period</b>		<b>(65,665)</b>	(6,458)
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**

*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2012</b>	2011
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income</b>			
Exchange gain on translation of financial statements of foreign operations		<u>1,696</u>	<u>9,023</u>
<b>Other comprehensive income for the period</b>		<u><b>1,696</b></u>	<u>9,023</u>
<b>Total comprehensive (loss)/income for the period</b>		<u><b>(63,969)</b></u>	<u>2,565</u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(65,665)	(5,635)
Non-controlling interests		<u>–</u>	<u>(823)</u>
		<u><b>(65,665)</b></u>	<u>(6,458)</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(63,969)	3,388
Non-controlling interests		<u>–</u>	<u>(823)</u>
		<u><b>(63,969)</b></u>	<u>2,565</u>
<b>Loss per share attributable to the owners of the Company during the period</b>			
<b>From continuing and discontinued operations</b>			
Basic and diluted	10	<u><b>HK6.32 cents</b></u>	<u>HK0.50 cents</u>
<b>From continuing operations</b>			
Basic and diluted	10	<u><b>HK6.32 cents</b></u>	<u>HK5.80 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2012*

		<b>30 September</b>	31 March
		<b>2012</b>	2012
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>71,108</b>	68,043
Long-term deposits		<b>2,466</b>	2,441
Interests in associates		<b>38,223</b>	15,004
Intangible assets		<b>125,664</b>	130,257
Available-for-sale financial asset	11	<b>–</b>	15,000
		<hr/>	<hr/>
		<b>237,461</b>	230,745
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>35,611</b>	35,027
Trade receivables	12	<b>27,205</b>	23,376
Other receivables, deposits and prepayments		<b>67,757</b>	47,237
Amounts due from associates		<b>72</b>	67
Tax recoverables		<b>49</b>	5
Financial assets at fair value through profit or loss		<b>34,202</b>	50,911
Bank balances and deposits with financial institutions		<b>352,591</b>	434,531
		<hr/>	<hr/>
		<b>517,487</b>	591,154
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	13	<b>6,893</b>	5,371
Other payables and accrued charges		<b>12,538</b>	24,659
Amounts due to fellow subsidiaries of an associate		<b>677</b>	675
Obligations under finance leases – due within one year		<b>29</b>	43
Tax payables		<b>2,787</b>	2,785
		<hr/>	<hr/>
		<b>22,924</b>	33,533
		<hr/>	<hr/>
<b>Net current assets</b>		<b>494,563</b>	557,621
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>732,024</b>	788,366
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

AS AT 30 SEPTEMBER 2012

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<b>10,429</b>	10,396
Reserves	<b>693,033</b>	748,540
	<b>703,462</b>	758,936
Non-controlling interests	<b>3</b>	–
<b>Total equity</b>	<b>703,465</b>	758,936
<b>Non-current liabilities</b>		
Obligations under finance leases – due after one year	–	7
Deferred tax liabilities	<b>28,559</b>	29,423
	<b>28,559</b>	29,430
	<b>732,024</b>	788,366

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim 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 interim 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 consolidated financial statements for the year ended 31 March 2012.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendment to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated interim financial statements and/or disclosures set out in these unaudited condensed consolidated interim financial statements.

### 3. REVENUE

Revenue on continuing operations, which is also the Group's turnover, represents the net amount received and receivable for goods sold by the Group, less returns, trade discounts and allowances as well as exploration and production services income and is analysed as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue on continuing operations</b>		
Sales of goods	19,175	19,213
Exploration and production services income	1,236	3,589
	<u>20,411</u>	<u>22,802</u>

### 4. OTHER INCOME

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposals of financial assets at fair value through profit or loss	359	33
Interest income on bank deposits	578	788
Sundry income	376	740
Dividend received from listed equity securities	89	–
	<u>1,402</u>	<u>1,561</u>

### 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
- Crude oil exploration services: Crude oil exploration services in the People's Republic of China (the "PRC")
- Chinese information infrastructure and online social music gaming platform: Provision of server management, data warehousing services and the development of online social music gaming platform

- Electronic card service: Electronic card payment services in convenience stores, supermarkets, fast-food 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 and red wine 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.

The Group’s continuing operations are currently organised into five main business segments:

**For the six months ended 30 September 2012**

	Continuing operations						Total HK\$'000 (unaudited)
	Publishing HK\$'000 (unaudited)	Crude oil exploration services HK\$'000 (unaudited)	Chinese information infrastructure and online social music gaming platform HK\$'000 (unaudited)	Electronic card service HK\$'000 (unaudited)	Retailing and wholesales HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	
<b>Revenue</b>							
From external customers	10,167	1,236	60	-	8,881	67	20,411
From other segments	-	-	20	-	5,533	-	5,553
<b>Reportable segment revenue</b>	<u>10,167</u>	<u>1,236</u>	<u>80</u>	<u>-</u>	<u>14,414</u>	<u>67</u>	<u>25,964</u>
<b>Reportable segment profit/(loss)</b>	<u>41</u>	<u>(9,180)</u>	<u>(24,352)</u>	<u>(398)</u>	<u>(99)</u>	<u>(53)</u>	<u>(34,041)</u>
<b>Other information</b>							
Amortisation of intangible assets	-	5,813	-	-	-	-	5,813
Bank interest income	-	(45)	(9)	-	-	(524)	(578)
Depreciation of property, plant and equipment	78	2,083	239	157	24	207	2,788
Impairment of available-for-sale financial asset	-	-	-	-	-	15,000	15,000

For the six months ended 30 September 2011

	Continuing operations						Total <i>HK\$'000</i> (unaudited)
	Publishing <i>HK\$'000</i> (unaudited)	Crude oil exploration services <i>HK\$'000</i> (unaudited)	Chinese information infrastructure <i>HK\$'000</i> (unaudited)	Electronic card service <i>HK\$'000</i> (unaudited)	Retailing and wholesales <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	
<b>Revenue</b>							
From external customers	11,946	3,589	-	23	5,213	2,031	22,802
From other segments	-	-	-	-	-	17	17
<b>Reportable segment revenue</b>	<u>11,946</u>	<u>3,589</u>	<u>-</u>	<u>23</u>	<u>5,213</u>	<u>2,048</u>	<u>22,819</u>
<b>Reportable segment loss</b>	<u>(2,060)</u>	<u>(9,189)</u>	<u>(5,603)</u>	<u>(904)</u>	<u>(1,394)</u>	<u>(100)</u>	<u>(19,250)</u>
<b>Other information</b>							
Amortisation of intangible assets	-	5,757	-	-	-	-	5,757
Bank interest income	-	(192)	(525)	-	-	(71)	(788)
Depreciation of property, plant and equipment	<u>83</u>	<u>3,946</u>	<u>-</u>	<u>50</u>	<u>40</u>	<u>215</u>	<u>4,334</u>



**At 30 September 2012**

Continuing operations

	Chinese information infrastructure and online						Total
	Crude oil exploration services	social music gaming platform	Electronic card service	Retailing and wholesales	Others		
Publishing	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
<b>Reportable segment assets</b>	21,154	228,612	124,189	1,024	48,859	9,910	433,748
Additions to non-current assets	26	5	29,593	-	94	230	29,948
<b>Reportable segment liabilities</b>	(8,705)	(7,568)	(2,609)	(1,185)	(54)	(72)	(20,193)

At 31 March 2012

Continuing operations

	Chinese information infrastructure and online						Total
	Crude oil exploration services	social music gaming platform	Electronic card service	Retailing and wholesales	Others		
Publishing	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	
<b>Reportable segment assets</b>	24,328	234,773	97,269	3,982	48,690	9,921	418,963
Additions to non-current assets	877	134	685	-	226	1,055	2,977
<b>Reportable segment liabilities</b>	(8,307)	(7,424)	(1,468)	(3,747)	(9,517)	(72)	(30,535)

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Reportable segment revenue	<b>25,964</b>	22,819
Elimination of inter segment revenue	<b>(5,553)</b>	(17)
	<hr/>	<hr/>
Revenue from continuing operations	<b>20,411</b>	22,802
	<hr/> <hr/>	<hr/> <hr/>
<b>Loss before income tax expenses and discontinued operations</b>		
Reportable segment loss	<b>(34,041)</b>	(19,250)
Decrease in fair value of financial assets at fair value through profit or loss	<b>(9,872)</b>	(36,865)
Impairment of available-for-sale financial asset	<b>(15,000)</b>	–
Share of losses of associates	<b>(1,604)</b>	(1,087)
Unallocated corporate expenses	<b>(6,312)</b>	(4,772)
Finance costs	<b>(4)</b>	(4)
	<hr/>	<hr/>
Loss before income tax from continuing operations	<b>(66,833)</b>	(61,978)
	<hr/> <hr/>	<hr/> <hr/>
	<b>30 September</b>	31 March
	<b>2012</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Reportable segment assets	<b>433,748</b>	418,963
Interests in associates	<b>38,223</b>	15,004
Available-for-sale financial asset	–	15,000
Amounts due from associates	<b>72</b>	67
Financial assets at fair value through profit or loss	<b>34,202</b>	50,911
Other corporate assets	<b>248,703</b>	321,954
	<hr/>	<hr/>
Group assets	<b>754,948</b>	821,899
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	<b>20,193</b>	30,535
Amounts due to fellow subsidiaries of an associate	<b>677</b>	675
Other corporate liabilities	<b>30,613</b>	31,753
	<hr/>	<hr/>
Group liabilities	<b>51,483</b>	62,963
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Revenue from customers</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Hong Kong (place of domicile)	<b>10,274</b>	13,200
The PRC	<b>1,236</b>	3,949
Macau	<b>32</b>	2,251
Japan	<b>8,869</b>	3,402
	<hr/> <b>20,411</b> <hr/>	<hr/> 22,802 <hr/>

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

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Interest charges on:		
Finance leases	<b>4</b>	4
	<hr/> <b>4</b> <hr/>	<hr/> 4 <hr/>

## 7. LOSS BEFORE INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>		
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs, including directors' emoluments	<b>9,969</b>	9,257
Amortisation of intangible assets	<b>5,813</b>	5,757
Depreciation of property, plant and equipment		
– Owned assets	<b>2,772</b>	4,318
– Assets held under finance leases	<b>16</b>	16
Dividend income	<b>(89)</b>	–
	<hr/> <b>20,411</b> <hr/>	<hr/> 22,802 <hr/>

## 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 (2011: nil). The Group also had no assessable profits in other jurisdiction in both periods.

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax credit comprises:		
<b>Current tax</b>	–	–
<b>Deferred tax</b>		
Tax effect on temporary difference not recognised assets	1,168	740
	<u>1,168</u>	<u>740</u>
	<b>1,168</b>	<b>740</b>

## 9. DISCONTINUED OPERATIONS

On 27 January 2011, the Group entered into a provisional agreement for sales and purchase with an independent third party in relation to the disposal of all its investment properties, the whole block of Culturecom Centre, located at 47 Hung To Road, Kwun Tong, Kowloon for a consideration of HK\$286,000,000 and the transaction was completed on 23 September 2011. In accordance with HKFRS 5, the Group's business of property investment is classified as discontinued operations, the analysis of the results of which for the period ended 30 September 2011 is as follows:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	–	2,365
Cost of sales	–	(413)
Gross profit	–	1,952
Administrative expenses	–	(2,649)
Gain on disposal of properties	–	55,477
Profit before income tax	–	54,780
Income tax credit/(expense)	–	–
Profit for the period	<u>–</u>	<u>54,780</u>

Depreciation expense of discontinued operations for the last period amounted to HK\$93,000 and has been included in administrative expenses.

## 10. LOSS PER SHARE

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

### From continuing and discontinued operations

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share:		
Loss for the period attributable to the owners of the Company	<u>(65,665)</u>	<u>(5,635)</u>
	2012	2011
	Number	Number
	of shares	of shares
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares for the purpose of basic and diluted (loss)/earnings per share	<u>1,037,697</u>	<u>1,034,902</u>

The computation of diluted loss per share for both periods ended 30 September 2012 and 2011 has not assumed the conversion of the Company's previously outstanding warrants and share options since their exercise would result in a decrease in loss per share from continuing operations.

### From continuing operations

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

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period attributable to the owners of the Company	(65,665)	(5,635)
Less: profit for the period from discontinued operations	—	54,780
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>(65,665)</u>	<u>(60,415)</u>

The calculation of diluted loss per share from continuing operations for the periods ended 30 September 2012 and 2011 has not assumed the conversion of the Company's previously outstanding warrants and share options as these potential ordinary shares are anti-dilutive during both periods.

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

#### **For discontinued operation**

Basic and diluted earnings per share from discontinued operations was HK5.30 cents for the six months ended 30 September 2011 (for the six months ended 30 September 2012: HK\$Nil per share), based on the profit for the respective period from discontinued operations of HK\$54,780,000 (for the six months ended 30 September 2012: HK\$Nil) and the denominators detailed above for both basic and diluted (loss)/earnings per share.

### **11. AVAILABLE-FOR-SALE FINANCIAL ASSET**

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
Unlisted equity shares:		
Overseas, at cost	20,000	20,000
Less: Impairment loss	(20,000)	(5,000)
	<u>          </u>	<u>          </u>
	–	15,000
	<u><u>          </u></u>	<u><u>          </u></u>

An impairment loss amounting to HK\$15,000,000 was recognized during the period due to unsatisfactory operation of the investee under the weakening global economy and uncertain market conditions.

### **12. TRADE RECEIVABLES**

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

	<b>30 September 2012 HK\$'000 (unaudited)</b>	31 March 2012 HK\$'000 (audited)
0 – 60 days	3,860	3,762
61 – 90 days	972	1,868
91 – 180 days	4,251	1,532
Over 180 days	18,122	16,214
	<u>          </u>	<u>          </u>
	27,205	23,376
	<u><u>          </u></u>	<u><u>          </u></u>

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

### 13. TRADE PAYABLES

Ageing analysis of trade payables at the reporting dates, based on the invoice dates, is as follows:

	<b>30 September 2012 <i>HK\$'000</i> (unaudited)</b>	31 March 2012 <i>HK\$'000</i> (audited)
0 – 60 days	<b>1,402</b>	1,174
61 – 90 days	<b>1,478</b>	1,251
Over 90 days	<b>4,013</b>	2,946
	<hr/> <b>6,893</b> <hr/>	<hr/> 5,371 <hr/>

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.

### 14. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2012 (30 September 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the period ended 30 September 2012, the Group's overall revenue from external customers decreased by 10.48% to HK\$20,411,000 of which approximately HK\$10,167,000, HK\$1,236,000, HK\$60,000, nil, HK\$8,881,000 and HK\$67,000 (30 September 2011: HK\$11,946,000, HK\$3,589,000, nil, HK\$23,000, HK\$5,213,000 and HK\$2,031,000) were attributable to our continuing business of publishing, crude oil exploration services, Chinese information infrastructure and online social music gaming platform, electronic card service, retailing and wholesales and others respectively.

The Group's consolidated net loss attributable to the owners of the Company increased from HK\$5,635,000 or HK0.50 cents loss per share to HK\$65,665,000 or HK6.32 cents loss per share. This was mainly due to a profit from discontinued operation of HK\$54,780,000 from the same period in prior year, as well as a decrease in fair value of financial assets at fair value through profit or loss of approximately HK\$9,872,000 and an impairment loss on available-for-sale financial assets approximately to HK\$15,000,000. Going forward, we are very excited about our future. In months to come, we will be launching an interactive social network website, with Mr. Jay Chou as our Chinese culture ambassador. Overall, by focusing on core operations and capturing new opportunities in social networking, our Group is optimistic of its future.

Also, as of 30 September 2012, the Group's net asset value was HK\$703,465,000 and net asset value per weighted average number of 1,037,697,000 shares of the Company was approximately HK\$0.67 (31 March 2012: HK\$0.73).

### Warrants

On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 137,850,000 warrants (the "2013 Warrants") conferring rights to subscribe up to HK\$38,598,000 in aggregate for shares of the Company at an initial subscription price of HK\$0.28 per share, to not less than 300 placees who are independent third parties, during the two years period from 3 May 2011 to 2 May 2013, both days inclusive. The Placing of the 2013 Warrants was completed on 29 April 2011.

The net proceeds of the placing of approximately HK\$26,552,000 were used as general working capital of the Company.

During the period, registered holders of 3,330,000 units of the 2013 Warrants exercised their rights to subscribe for 3,330,000 shares in the Company at HK\$0.28 per share.

On 20 July 2012, the Company entered into a conditional warrant subscription agreements with not less than six warrant subscribers as subscribers in relation to the warrant subscription of a total of 76,790,000 warrants by the warrant subscribers, at the warrant issue price of HK\$0.10 per warrant. The net proceeds from the warrant subscription of approximately HK\$7,490,000 were applied as the general working capital of the Group.



The non-listed warrants were issued by the Company at the warrant issue price to subscribe for an aggregate of HK\$92,148,000 in shares, each entitles the holder thereof to subscribe for one new share at the initial warrant subscription price of HK\$1.20 (subject to adjustment) at any time during a period of five (5) years commencing from the date of issue of warrants. The placing of the warrant subscription was completed on 2 August 2012. During the period, no non-listed warrants subscriber exercised their rights to subscribe share.

### **Liquidity and Financial Resources**

As at 30 September 2012, the Group had bank and deposits with financial institutions balance in aggregate of approximately HK\$352,591,000 mainly denominated in Hong Kong dollar (HKD) and Renminbi (RMB) and financial assets at fair value through profit or loss of HK\$34,202,000 mainly denominated in Hong Kong dollar (HKD). The Group has no significant exposure to foreign exchanges rate fluctuation.

As of 30 September 2012, the Group had a net current assets position of approximately HK\$494,563,000 (31 March 2012: HK\$557,621,000) and a current ratio of 22.57 (31 March 2012: 17.63). The Group's total liabilities as of 30 September 2012 amounted to approximately HK\$51,483,000 (31 March 2012: HK\$62,963,000) and represented approximately 7.3% (31 March 2012: 8.3%) of the 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 2012, the Group had a total of 171 (30 September 2011: 121) employees. Total staff costs incurred during the period amounted to approximately HK\$9,969,000 (30 September 2011: HK\$9,257,000). 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 aftershock of the global economic turmoil has continued to affect many of our businesses and investments. In enabling us to devote greater effort on our core businesses, allowances were set up on projects that were not run efficiently and write-offs were made on investments that have lost value. We have observed a steadfast increase in revenue on most recurring projects, but on the overall, our performance for the period has yet room for improvement. Nevertheless, we are happy to report that many of the early seeds we have planted, such as those that involve our core business of comics and animation, as well as the beta launching of our online social music gaming platform, have finally blossomed. Therefore, this is a particularly exciting time for our Group, as the depths of unwanted clutter in the past have now been cleared, and what follows will be nothing but a solid path of success.

A number of our achievements in the past six months deserve some attention. In our technology-business, our Group has secured suitable cooperative partners to enhance and further commercialize 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 core ideals of Culturecom has always been about propelling Chinese culture to the mainstream; and in light of this, our Group is at the final stages of 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 being able to appeal to artists of varying ages and interests. Aside from comics and technology, we have taken a prudent approach in the Group's petroleum extraction business. Against the backdrop of credit tightening and economic uncertainties, our Group has decided to focus more on fine-tuning the existing oil exploration facilities, and leave much of the new extraction work for completion in the upcoming days. Although the latter has led to somewhat disappointment financially, the positive geology information we have gathered so far is highly encouraging, and our Group is confident that the oil extraction venture in Shengli Oilfield and Chaoshui Basin has the potential to achieve promising results in the very near future.

## **PROSPECTS**

In view of the future, our Group is excited about its upcoming projects, and optimistic of its journey to come. We will continue to foster our relationships with the existing cooperative partners and business associates. Internet, as an effective communication tool between people, has been developing rapidly over the past few years globally, as evident by the popularity of Facebook, Twitter and Youtube. Our Group believes strongly in the enormous potential of online social networking, which has contributed much to bring the world closer. Leveraging on the Group's enormous intellectual property database, animation generating engine, and extensive business network in the Southeast Asia region, our Group is at the final stages of releasing Ucan, an online social platform that will make possible for gamers, animators, shoppers, developers and music lovers to share their experiences with each other, regardless of where they are physically located. Besides Ucan, our Group will continue to make further inroads to our core business of animation and comics market in Asia, such as setting up educational programs and training grounds for artists and like-minded animators in China. All in all, we are indebted to our shareholders' unfailing support, and promise that we will continue to strive for the best investment strategies that would benefit them in the long run.

## **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 2012.

## **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 of Hong Kong Limited (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 2012.

## **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 2012 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 Chairman of the Board, Mr. Chu Bong Foo was unable to attend the annual general meeting of the Company held on 15 August 2012 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.

## **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 2012.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

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

By Order of the Board of  
**CULTURECOM HOLDINGS LIMITED**  
**Chu Bong Foo**  
*Chairman*

Hong Kong, 30 November 2012

*At as the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being Vice Chairman and executive Director); Mr. Kwan Kin Chung, Mr. Chung Billy, Mr. Wan Xiaolin, Mr. Tang U Fai, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being executive Directors); Mr. Chu Bong Foo (being the Chairman and non-executive Director); Mr. Tsang Wai Wa, Mr. Joseph Lee Chennault and Mr. Lai Qiang (all being independent non-executive Directors).*

\* *for information purposes only*