# CULTURECOM HOLDINGS LIMITED

# 文化傳信集團有限公司*

*(Incorporated in Bermuda with limited liability)*
(Stock Code: 343)
(Warrant Code: 1453)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

- Revenue decreased by 8% to HK$12,808,000
- Net loss narrowed by 24% to HK$46,918,000
- Net loss per share decreased by 29% to HK cents 3.6
- Net cash of HK$177,845,000 with no interest bearing debts

**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 2014 together with the comparative figures for the corresponding period of 2013 are as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014*

| | *Notes* | **Six months ended 30 September** **2014** ***HK$'000*** **(unaudited)** | 2013 *HK$'000* (unaudited) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **12,808** | 13,941 |
| Cost of sales | | **(5,888)** | (6,030) |
| Gross profit | | **6,920** | 7,911 |
| Other income and other gains and losses | 4 | **2,880** | 1,196 |
| Administrative expenses | | **(45,143)** | (43,411) |
| Loss on fair value changes of held-for-trading investments | | **(4,262)** | (3,687) |
| Share of losses of associates | | **(636)** | (931) |
| Cost incurred to develop online business | 6 | **(6,623)** | (13,330) |
| Finance costs | 7 | **–** | (2) |
| Loss before tax | | **(46,864)** | (52,254) |
| Income tax expense | 8 | **(54)** | (40) |
| Loss for the period from continuing operations | | **(46,918)** | (52,294) |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | 9 | **–** | (9,428) |
| **Loss for the period** | 10 | **(46,918)** | (61,722) |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014*

| | Note | Six months ended 30 September **2014** ***HK$'000*** **(unaudited)** | 2013 *HK$'000* (unaudited) |
|---|---|---|---|
| **Other comprehensive income:** | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Exchange differences on translation of group entities | | **(3,698)** | 1,124 |
| Other comprehensive (expense) income for the period | | **(3,698)** | 1,124 |
| Total comprehensive expense for the period | | **(50,616)** | (60,598) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | | |
| – Loss for the period from continuing operations | | **(42,652)** | (50,850) |
| – Loss for the period from discontinued operations | | **–** | (8,332) |
| | | **(42,652)** | (59,182) |
| Non-controlling interests | | | |
| – Loss for the period from continuing operations | | **(4,266)** | (1,444) |
| – Loss for the period from discontinued operations | | **–** | (1,096) |
| | | **(4,266)** | (2,540) |
| | | **(46,918)** | (61,722) |
| **Total comprehensive expense for the period attributable to:** | | | |
| Owners of the Company | | **(46,349)** | (58,203) |
| Non-controlling interests | | **(4,267)** | (2,395) |
| | | **(50,616)** | (60,598) |
| **LOSS PER SHARE** | 12 | | |
| From continuing and discontinued operations | | | |
| Basic (HK cents) | | **(3.6)** | (5.1) |
| Diluted (HK cents) | | **(3.6)** | (5.1) |
| From continuing operations | | | |
| Basic (HK cents) | | **(3.6)** | (4.4) |
| Diluted (HK cents) | | **(3.6)** | (4.4) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 SEPTEMBER 2014*

| | *Notes* | **30 September 2014 *HK$'000* (unaudited)** | 31 March 2014 *HK$'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **15,834** | 15,854 |
| Interests in associates | | **9,975** | 10,611 |
| Intangible assets | | **2,145** | 2,905 |
| Deferred tax assets | | **2,264** | 2,318 |
| Loan to an associate | | **3,922** | 4,450 |
| Goodwill | | **2,796** | 2,796 |
| Available-for-sale financial asset | | **2** | – |
| | | **36,938** | 38,934 |
| **Current assets** | | | |
| Inventories | | **74,716** | 51,365 |
| Trade receivables | 13 | **4,011** | 2,932 |
| Other receivables, deposits and prepayments | 13 | **23,617** | 66,802 |
| Held-for-trading investments | | **10,760** | 19,267 |
| Amounts due from associates | | **51** | 48 |
| Tax recoverables | | **28** | 61 |
| Bank balances and cash | | **177,845** | 182,802 |
| | | **291,028** | 323,277 |
| **Current liabilities** | | | |
| Trade payables | 14 | **370** | 361 |
| Other payables and accrued charges | | **25,845** | 33,601 |
| Tax payable | | **130** | 130 |
| | | **26,345** | 34,092 |
| **Net current assets** | | **264,683** | 289,185 |
| **Net assets** | | **301,621** | 328,119 |
| **Capital and reserves** | | | |
| Share capital | | **11,716** | 11,716 |
| Reserves | | **307,358** | 329,589 |
| Equity attributable to owners of the Company | | **319,074** | 341,305 |
| Non-controlling interests | | **(17,453)** | (13,186) |
| | | **301,621** | 328,119 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements of Culturecom Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting |
| HK(IFRIC) – Int 21 | Levies |

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

## 3. REVENUE

Revenue from 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, and is analysed as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Publishing | **5,835** | 4,857 |
| Retailing and wholesales | **3,260** | 8,865 |
| Catering | **1,630** | 219 |
| Chinese information infrastructure and online social music gaming platform | **2,083** | – |
| | **12,808** | 13,941 |

## 4. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Rental income | **–** | 11 |
| Interest income from an associate | **100** | 44 |
| Interest income on bank deposits | **137** | 261 |
| Dividend received from listed equity securities | **23** | 91 |
| Net foreign exchange gain | **11** | 274 |
| Loss on disposal of property, plant and equipment | **–** | (54) |
| Sundry income | **106** | 569 |
| Reversal of impairment loss on trade receivables | **2,503** | – |
| | **2,880** | 1,196 |

## 5. SEGMENT INFORMATION

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

Specifically, the Group's reportable and operating segments from continuing operations under HKFRS 8 *operating segments* are as follows:

**Continuing operations**

– Publishing: publication of comic books and royalty income from licensing comic books.

– Chinese information infrastructure and online social music gaming platform: provision of server management, data warehousing services and provision of online social music gaming and online shopping via an online platform and operation of cinema (Note b).

– Retailing and wholesales: retailing of red wine and mobile phones in Hong Kong and Macau and wholesales of insulation materials in Japan.

– Catering: catering services in Macau

**Discontinued operations**

– Crude oil exploration services: crude oil exploration services in the People's Republic of China (the "PRC") (Note c).

*Notes:*

(a) All transactions between different operating segments are charged at prevailing market rates.

(b) Targets customers are mainly in the PRC, Hong Kong and Taiwan for this segment. The operation of this segment has started during the year ended 31 March 2014.

(c) On 6 February 2013, the Group has entered into a sales and purchase agreement to dispose of 100% equity interest in Raise Beauty Investments Limited and its subsidiaries to an independent third party. In accordance with HKFRS 5, the Group's business of crude oil exploration services is regarded as discontinued operations. The transaction was completed in October 2013 and the subsidiary has been fully disposed of as at 31 March 2014.

The segment information reported below does not include any amounts from these discontinued operations, which are described in more detail in note 9.

## 5. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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

**For the period ended 30 September 2014 (unaudited)**

**Continuing operations**

| | Publishing | Chinese information infrastructure and online social music gaming platform | Retailing and wholesales | Catering | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | | | |
| External sales | **5,835** | **2,083** | **3,260** | **1,630** | **–** | **12,808** |
| Inter-segment sales | **–** | **–** | **31** | **–** | **(31)** | **–** |
| | **5,835** | **2,083** | **3,291** | **1,630** | **(31)** | **12,808** |
| Segment results | **494** | **(27,753)** | **(4,715)** | **(873)** | **–** | **(32,847)** |
| Unallocated expenses | | | | | | **(16,661)** |
| Unallocated incomes | | | | | | **2,644** |
| Finance costs | | | | | | **–** |
| Loss before tax from continuing operations | | | | | | **(46,864)** |

## 5. SEGMENT INFORMATION (CONTINUED)

**For the period ended 30 September 2013 (unaudited)**

**Continuing operations**

| | Publishing | Chinese information infrastructure and online social music gaming platform | Retailing and wholesales | Catering | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | | | | | | |
| External sales | 4,857 | – | 8,865 | 219 | – | 13,941 |
| Inter-segment sales | 68 | – | 33 | – | (101) | – |
| | 4,925 | – | 8,898 | 219 | (101) | 13,941 |
| Segment results | 650 | (37,768) | 2,581 | (1,917) | – | (36,454) |
| Unallocated expenses | | | | | | (16,666) |
| Unallocated incomes | | | | | | 868 |
| Finance costs | | | | | | (2) |
| Loss before tax from continuing operations | | | | | | (52,254) |

Segment result represents the profit (loss) before tax incurred by each segment without the allocation of incomes or expenses resulted from loss on fair value changes of held-for-trading investments, share of losses of associates, unallocated corporate expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

As the Group's assets and liabilities are only reviewed by the CODM as a whole and hence no analysis of the Group's assets and liabilities by operating segments is disclosed.

## 6. COST INCURRED TO DEVELOP ONLINE BUSINESS

During the period ended 30 September 2013, the Group continued to invest in the business-development of an online social platform called Ucan.com that aims to provide virtual-reality social gaming platform to users who could interact with others in an online city. Approximately HK$13,330,000 mainly related to platform improvement, imaging and advertising and promotion are expensed when they are incurred and has been included in the Chinese information infrastructure and online social music gaming platform segment.

As at 31 March 2014, the development of the online social platform is completed. Expenditures of HK$4,394,000 that relate to the developing of the platform were capitalised as intangible assets.

During the period ended 30 September 2014, expenditures incurred for platform improvement, mobile applications improvement and promotion amounting approximately HK$6,623,000 are expensed when they are incurred and has been included in the Chinese information infrastructure and online social music gaming platform segment..

## 7. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Interest charges on finance leases | **–** | 2 |

## 8. INCOME TAX EXPENSE

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

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for both periods. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax or Enterprise Income Tax has been made in the financial statement as the Company had no assessable profit for both periods.

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Deferred tax expense | **54** | 40 |

## 9. DISCONTINUED OPERATIONS

On 6 February 2013, the Group has entered into a sales and purchase agreement (the "Agreement") regarding the disposal of 100% equity interest of Raise Beauty Investments Limited ("Raise Beauty" or the "Disposal Group"), the subsidiaries of the Group, which is engaged in crude oil exploration services business in the PRC (the "Disposal") at the total consideration of RMB80 million as stated in the Agreement (approximately equivalent to HK$100,137,000, of which HK$80,000,000 is used to settle the amount due from Raise Beauty to the Group and HK$3,027,000 is used to pay for the professional fee regarding to this transaction), to an independent third party, Waveon Holdings Limited (the "Buyer") which the professional fee is borne by the Group.

On 6 February 2013, 40% of the equity interest of Raise Beauty and the respective 40% of shareholder's right were transferred to the Buyer and the Group received 40% of the consideration of RMB32 million as stated in the Agreement (approximately equivalent to HK$39,250,000, of which HK$32,000,000 is used to settle the amount due from Raise Beauty to the Group and HK$406,000 is used to pay for the professional fee regarding to this transaction on a pro rata basis). For the year ended 31 March 2013, the disposal of the 40% equity interest of Raise Beauty was treated as a transaction that does not give rise to the Group losing control over Raise Beauty and hence the 40% equity interest disposed of to the Buyer was recognised as non-controlling interest of the Group as at 31 March 2013 and 30 September 2013.

The assets and liabilities attributable to the crude oil exploration services business have been classified as the disposal group held for sale as at 30 September 2013 in accordance with HKFRS 5. The crude oil exploration services business has been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2013.

All conditions precedent under the sale and purchase agreement had been fulfilled and the disposal of remaining 60% equity interest of Raise Beauty was completed on 22 October 2013. The remaining proceeds of RMB48 million as stated in the Agreement (approximately equivalent to HK$60,887,000, of which HK$47,994,000 is used to settle the amount due from Raise Beauty to the Group and HK$2,621,000 is used to pay for the professional fee regarding to this transaction on a pro rata basis) were received in cash. Upon completion, Raise Beauty ceased to be a subsidiary of the Group and its operating results were not consolidated into the Group's consolidated financial statements starting from the completion date.

The disposal of equity interest of Raise Beauty for 40% on 6 February 2013 and 60% on 22 October 2013, respectively are not conditional to each other. Hence, the disposals are treated separately.

The crude oil exploration services business is a cash generating unit ("CGU") for the purpose of impairment testing of the tangible assets and exploration and production services rights. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount.

## 9. DISCONTINUED OPERATIONS (CONTINUED)

The directors of the Company conducted an impairment assessment of the Group's crude oil exploration services business during the six months ended 30 September 2013 and determined the fair value less costs to sell of the disposal group by reference to the sales consideration set out in the Agreement. Accordingly, impairment losses on property, plant and equipment and exploration and production services right of approximately HK$2,249,000 and HK$5,550,000, respectively had been recognised in profit or loss, on a pro-rata basis based on the carrying amounts of these non-current assets in the disposal group for the impairment loss allocation.

Loss for the six months ended 30 September 2013 from discontinued operations was as follows:

| | Six months ended 30 September 2013 *HK$'000* (unaudited) |
|---|---|
| Revenue | 187 |
| Cost of sales | (212) |
| Other income | – |
| Administrative expenses | (2,714) |
| Loss before tax | (2,739) |
| Income tax credit | 1,110 |
| Loss after tax of discontinued operations | (1,629) |
| Impairment loss on remeasurement of disposal group | |
| – property, plant and equipment | (2,249) |
| – intangible asset | (5,550) |
| | (9,428) |
| Loss for the period from discontinued operations | |
| – attributable to the owners of the Company | (8,332) |
| – attributable to non-controlling interests | (1,096) |
| | (9,428) |

## 9. DISCONTINUED OPERATIONS (CONTINUED)

Loss for the period from the discontinued operations included the following:

| | Six months ended 30 September 2013 *HK$'000* (unaudited) |
|---|---|
| Staff costs | 497 |
| Auditor's remuneration | 279 |
| Amortisation of intangible assets | – |
| Depreciation of property, plant and equipment | – |
| Operating lease rentals in respect of rental premises | 186 |

Cash flows for the period from the discontinued operations were as follows:

| | Six months ended 30 September 2013 *HK$'000* (unaudited) |
|---|---|
| Net cash outflows from operating activities | (3,870) |
| Net cash outflows from investing activities | (4) |
| Net cash inflows from financing activities | 3,132 |
| Net cash outflows | (742) |

## 10. LOSS FOR THE PERIOD

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

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| **Continuing operations** | | |
| Staff costs, including directors' emoluments | **20,768** | 13,535 |
| Depreciation of property, plant and equipment | **1,352** | 949 |
| Amortisation of intangible assets | **760** | – |

## 11. DIVIDEND

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 12. LOSS PER SHARE

**From continuing and discontinued 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 | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share | **(42,652)** | (59,182) |

| | | |
|---|---|---|
| | **2014** | 2013 |
| Number of shares | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **1,171,614** | 1,158,448 |

**From continuing operations**

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

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| | **(unaudited)** | (unaudited) |
| Loss figures are calculated as follows: | | |
| Loss for the period attributable to owners of the Company | **(42,652)** | (59,182) |
| Less: Loss for the period from discontinued operations | **–** | (8,332) |
| Loss for the purposes of basic and diluted loss per share from continuing operations | **(42,652)** | (50,850) |

**12. LOSS PER SHARE (CONTINUED)**

**From continuing operations (Continued)**

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

The computation of diluted loss per share does not assume 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 discontinued operations**

For the six months ended 30 September 2013, basic loss per share from discontinued operations was HK0.7 cents per share, based on loss for the period attributable to owners of the Company from the discontinued operations of approximately HK$8,332,000 and the denominators detailed above for both basic and diluted loss per share.

**13. TRADE RECEIVABLES/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

**(a) Trade receivables**

The Group allows the general credit period of ranges from 0 to 90 days to customers of publishing and retailing and wholesales segments. The following is the aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of reporting period, which approximated the respective revenue recognition dates.

| | **30 September 2014** *HK$'000* **(unaudited)** | 31 March 2014 *HK$'000* (audited) |
|---|---|---|
| 0 – 60 days | **1,564** | 1,386 |
| 61 – 90 days | **402** | 58 |
| 91 – 180 days | **1,796** | 153 |
| Over 180 days | **249** | 1,335 |
| | **4,011** | 2,932 |

Trade receivables are interest-free and unsecured.

## 13. TRADE RECEIVABLES/OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

| | 30 September 2014 HK$'000 (unaudited) | 31 March 2014 HK$'000 (audited) |
|---|---|---|
| Other receivables | **5,995** | 4,535 |
| Deposits and prepayments | **17,622** | 62,267 |
| Prepayment for the purchase of red wine | **–** | 26,047 |
| Deposit for the acquisition placed in an escrow account | **–** | 21,112 |
| Others | **17,622** | 15,108 |
| | **23,617** | 66,802 |

## 14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period.

| | 30 September 2014 HK$'000 (unaudited) | 31 March 2014 HK$'000 (audited) |
|---|---|---|
| 0 – 60 days | **352** | 337 |
| 61 – 90 days | **–** | – |
| Over 90 days | **18** | 24 |
| | **370** | 361 |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the period ended 30 September 2014, the Group's overall turnover decreased slightly by approximately 8.1% to HK$12,808,000, of which approximately HK$5,835,000, HK$2,083,000, HK$3,260,000 and HK$1,630,000 (30 September 2013: HK$4,857,000, nil, HK$8,865,000 and HK$219,000) were attributable to our business of publishing, Chinese information infrastructure and online social music gaming platform, retailing and wholesales and catering. Our 3D movie theatre multiplex in Western Guangdong which has commenced operations in 2014 has recorded HK$2,083,000 revenue during the period under review. This is included in the turnover of Chinese information infrastructure and online social music gaming platform.

The Group's consolidated net loss attributable to the owners of the Company in 2014 decreased by 27.9% to HK$42,652,000 or 29.4% to HK3.6 cents per share (30 September 2013: loss of HK$59,182,000 or HK5.1 cents per share). This was mainly due to the lower cost related to online business development and the non-existence of the loss from discontinued operations whose disposal was completed during the second half of the previous financial year.

Also, as at 30 September 2014, the Group's net asset value was approximately HK$301,621,000 and net asset value per weighted average number of 1,171,614,000 shares of the Company was approximately HK$0.26 (31 March 2014: HK$0.28).

### Warrants

On 20 July 2012, the Company proposed to enter into a warrant subscription agreement in relation to the private placing of up to 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$7,492,000 were used 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 exercise the right to subscribe for one new share at the 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.

On 30 July 2014, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 157,500,000 warrants (the "2016 Warrants"), with subscription price of HK$0.16, conferring rights to subscribe for up to 157,500,000 new ordinary shares of the Company at an exercise price of HK$0.75 per share, to not less than 300 placees who are independent third parties, which are exercisable during the two years from 22 September 2014 to 21 September 2016 (or the next business day after 21 September 2016 if 21 September 2016 is not a business day), both days inclusive. The placing of the 2016 Warrants was completed on 19 September 2014 and was classified as equity instruments.

The proceeds from the placing of approximately HK$24,118,000, net of expenses incurred on warrants issue amounting HK$1,082,000, were used as general working capital of the Company.

During the period, no 2016 Warrants subscriber exercised their rights to subscribe share.

**Liquidity and Financial Resources**

As at 30 September 2014, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK$177,845,000 and held for trading investments of approximately HK$10,760,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 30 September 2014, the Group had a net current asset of approximately HK$264,683,000 (31 March 2014: HK$289,185,000) and a current ratio of 11.0 (31 March 2014: 9.5). The Group's total liabilities as of 30 September 2014 amounted to approximately HK$26,345,000 and represented approximately 8.3% (31 March 2014: 10.0%) to equity attributable to owners of the Company.

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

**Employment and Remuneration Policies**

As of 30 September 2014, the Group had a total of 164 employees of which 80 are based in Hong Kong, 36 in Macau and 48 in PRC. Total staff costs incurred during the period amounted to approximately HK$20,768,000 (30 September 2013: HK$13,535,000). 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

As reported in the 2014 final results published in June 2014, our Group has already been in an execution mode, rolling out the business strategies we have been planning in the last few years. We are excited to update you that Ucan.com has launched our mobile retail apps software PP Mobile Mall Apps software, which is a highly competitive total retail apps solution to any retailer who had been looking for affordable solution for their mobile retailing initiative. With PP Mobile Mall Apps software, our merchant clients will have their own customized e-commerce apps, and so their market coverage will no longer be confined by the storage of their physical premises nor their geographical reach. With cloud hosting, payment and settlement backend linked to the apps, e-commerce has become trouble free to those who could not afford such system in the past.

To us, the demand of PP Mobile Mall Apps software extends beyond China, the country with the biggest mobile subscriber base and mobile transaction penetration. At such competitive pricing, we see demand from all the retailers around the world who are yet to have their own customized apps for their e-commerce plan, thus completing their Online-to-Offline (O2O) business model.

Turning to our cultural and entertainment businesses, our 3D movie theatre multiplex in western Guangdong continued to gain traction. Within the multiplex, we provide entertainment and merchandise of superb quality for our future generations and their families. We will also soon roll out preschool education services within the well designed facilities. This is very much welcome and highly supported by the local government for our excellent services provided to the local community. During the period, over HK$2,083,000 revenue was reported. What is equally encouraging to us is that our practice of social responsibility has already attracted other local governments to invite us to replicate our successful business model in different locations. We believe our shareholders will also be proud of this development.

With our PP Mobile Mall Apps software and our growing 3D movie theatre multiplex business, we have enabled an O2O platform for both offline business and e-commerce, offering mobile retailing software, quality products and services targeting the fast growing mainland China market and actually also now reaching the global marketplace.

## PROSPECTS

We are seeing our persistence in the previous years is starting to bear fruits. Encouraged by the progress reported above, we are nevertheless fully prepared for the need of fine-tuning and challenges ahead, which are inevitable as everyone knows. We would ensure our shareholders that all of us in the Group would make our very best efforts in the course of our execution.

## 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 2014.

## 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 2014.

## 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 2014 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 11 August 2014 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 2014.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at 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, 26 November 2014

*At as the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being Vice Chairman and executive Director); Dr. Lai Tak Kwong Andrew, 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, Mr. Lai Qiang and Ms. Ng Ying (all being independent non-executive Directors).*

* *for identification purpose only*