



CULTURECOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00343)

2012 | 2013
Interim Report

CORPORATE INFORMATION

NON-EXECUTIVE DIRECTOR

Mr. Chu Bong Foo (*Chairman*)

EXECUTIVE DIRECTORS

Ms. Chow Lai Wah Livia (*Vice Chairman*)
 Mr. Kwan Kin Chung (*Managing Director*)
 Mr. Chung Billy
 Mr. Tang U Fai
 Mr. Tang Kwing Chuen Kenneth
 Mr. Chen Man Lung
 Mr. Wan Xiaolin

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Tam Kam Biu William

CORPORATE GOVERNANCE COMMITTEE

Mr. Chen Yen Lung
 Ms. Chow Lai Wah Livia
 Mr. Tang Kwing Chuen Kenneth
 Ms. Mak Wing Shuen Jennie

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

NOMINATION COMMITTEE

Ms. Chow Lai Wah Livia
 Mr. Tsang Wai Wa
 Mr. Lai Qiang

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
 Corporation Limited

SOLICITORS

Michael Li & Co.
 Appleby

AUDITORS

Deloitte Touche Tohmatsu

PUBLIC RELATION

PR Concepts Asia Limited

REGISTERED OFFICE

Canon's Court
 22 Victoria Street
 Hamilton HM 12
 Bermuda

PRINCIPAL OFFICE

Room 3201, 32nd Floor
 Singa Commercial Centre
 148 Connaught Road West
 Hong Kong

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
 26 Burnaby Street
 Hamilton HM 11
 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

WARRANT CODE

824

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CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT

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.

APPRECIATION

I would like to express my sincere gratitude to the Board of Directors, our management and staff for their continued dedication in the past period, and to all our customers, suppliers, business partners and shareholders for their enthusiastic support of the Group.

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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

	Notes	Six months ended 30 September	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Continuing operations:			
Revenue	3	20,411	22,802
Cost of sales		(12,354)	(15,733)
Gross profit		8,057	7,069
Other income	4	1,402	1,561
Administrative expenses		(49,812)	(32,652)
Decrease in fair value of financial assets at fair value through profit or loss		(9,872)	(36,865)
Share of losses of associates		(1,604)	(1,087)
Impairment of available-for-sale financial asset	13	(15,000)	-
Finance costs	6	(4)	(4)
Loss before income tax	7	(66,833)	(61,978)
Income tax credit	8	1,168	740
Loss after income tax from continuing operations		(65,665)	(61,238)
Discontinued operations:			
Profit for the period	9	-	54,780
Loss for the period		(65,665)	(6,458)
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		1,696	9,023
Other comprehensive income for the period		1,696	9,023
Total comprehensive (loss)/income for the period		(63,969)	2,565

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		Six months ended 30 September	
		2012	2011
Notes		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
		(65,665)	(5,635)
		-	(823)
		<u>(65,665)</u>	<u>(6,458)</u>
Total comprehensive (loss)/income attributable to:			
		(63,969)	3,388
		-	(823)
		<u>(63,969)</u>	<u>2,565</u>
Loss per share attributable to the owners of the Company during the period			
From continuing and discontinued operations			
		HK6.32 cents	HK0.50 cents
Basic and diluted	10	<u>HK6.32 cents</u>	<u>HK0.50 cents</u>
From continuing operations			
		HK6.32 cents	HK5.80 cents
Basic and diluted	10	<u>HK6.32 cents</u>	<u>HK5.80 cents</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	Notes	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	71,108	68,043
Long-term deposits		2,466	2,441
Interests in associates		38,223	15,004
Intangible assets	12	125,664	130,257
Available-for-sale financial asset	13	-	15,000
		237,461	230,745
Current assets			
Inventories		35,611	35,027
Trade receivables	14	27,205	23,376
Other receivables, deposits and prepayments	15	67,757	47,237
Amounts due from associates		72	67
Tax recoverables		49	5
Financial assets at fair value through profit or loss		34,202	50,911
Bank balances and deposits with financial institutions		352,591	434,531
		517,487	591,154
Current liabilities			
Trade payables	16	6,893	5,371
Other payables and accrued charges		12,538	24,659
Amounts due to fellow subsidiaries of an associate		677	675
Obligations under finance leases - due within one year	17	29	43
Tax payables		2,787	2,785
		22,924	33,533
Net current assets		494,563	557,621
Total assets less current liabilities		732,024	788,366

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 SEPTEMBER 2012

	Notes	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	10,429	10,396
Reserves		693,033	748,540
		703,462	758,936
Non-controlling interests		3	-
		703,465	758,936
Non-current liabilities			
Obligations under finance leases			
– due after one year	17	-	7
Deferred tax liabilities		28,559	29,423
		28,559	29,430
		732,024	788,366

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Contribution surplus	Other reserve	Capital redemption reserve	Translation reserve	Share option reserve	Investment property revaluation reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2011 (audited)	10,339	1,728,358	171,671	128	446	21,939	63,619	2,149	(1,220,322)	778,327	823	779,150
Issue of warrants	-	-	-	27,570	-	-	-	-	-	27,570	-	27,570
Exercise of warrants	22	610	-	-	-	-	-	-	-	632	-	632
Expenses incurred on warrants issue	-	-	-	(1,018)	-	-	-	-	-	(1,018)	-	(1,018)
Expenses incurred on rights issue	-	(21)	-	-	-	-	-	-	-	(21)	-	(21)
Transfer from other reserve to share premium due to exercise of warrants	-	435	-	(435)	-	-	-	-	-	-	-	-
Transfer to gain on disposal of property	-	-	-	-	-	-	-	(2,149)	-	(2,149)	-	(2,149)
Transactions with owners	22	1,024	-	26,117	-	-	-	(2,149)	-	25,014	-	25,014
Loss for the period	-	-	-	-	-	-	-	-	(5,635)	(5,635)	(823)	(6,458)
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	9,023	-	-	-	9,023	-	9,023
Total comprehensive income for the period	-	-	-	-	-	9,023	-	-	(5,635)	3,388	(823)	2,565
At 30 September 2011 (unaudited)	<u>10,361</u>	<u>1,729,382</u>	<u>171,671</u>	<u>26,245</u>	<u>446</u>	<u>30,962</u>	<u>63,619</u>	<u>-</u>	<u>(1,225,957)</u>	<u>806,729</u>	<u>-</u>	<u>806,729</u>
At 1 April 2012 (audited)	10,396	1,730,979	171,671	25,580	446	25,674	63,619	-	(1,269,429)	758,936	-	758,936
Issue of warrants	-	-	-	7,679	-	-	-	-	-	7,679	-	7,679
Exercise of warrants	33	899	-	-	-	-	-	-	-	932	-	932
Expenses incurred on warrants issue	-	-	-	(116)	-	-	-	-	-	(116)	-	(116)
Transfer from other reserve to share premium due to exercise of warrants	-	183	-	(183)	-	-	-	-	-	-	-	-
Transfers with owners	33	1,082	-	7,380	-	-	-	-	-	8,495	-	8,495
Loss for the period	-	-	-	-	-	-	-	-	(65,665)	(65,665)	-	(65,665)
Other comprehensive income												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	1,696	-	-	-	1,696	-	1,696
Total comprehensive income for the period	-	-	-	-	-	1,696	-	-	(65,665)	(63,969)	-	(63,969)
At 30 September 2012 (unaudited)	<u>10,429</u>	<u>1,732,061</u>	<u>171,671</u>	<u>32,960</u>	<u>446</u>	<u>27,370</u>	<u>63,619</u>	<u>-</u>	<u>(1,335,094)</u>	<u>703,462</u>	<u>-</u>	<u>703,462</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Net cash used in operations	(60,907)	(64,655)
Net cash (used in)/generated from investing activities	(29,938)	278,668
Net cash generated from financing activities	8,475	27,137
Net (decrease)/increase in cash and cash equivalents	(82,370)	241,150
Cash and cash equivalents at 1 April	434,531	258,176
Effect of foreign exchange rate changes	430	4,337
Cash and cash equivalents at 30 September	<u>352,591</u>	<u>503,663</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits with financial institutions	<u>352,591</u>	<u>503,663</u>

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.

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

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 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue on continuing operations		
Sales of goods	19,175	19,213
Exploration and production services income	1,236	3,589
	20,411	22,802

4. OTHER INCOME

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (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	-
	1,402	1,561

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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
- 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.

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

5. SEGMENT INFORMATION (Continued)

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)	
Revenue							
From external customers	10,167	1,236	60	-	8,881	67	20,411
From other segments	-	-	20	-	5,533	-	5,553
Reportable segment revenue	10,167	1,236	80	-	14,414	67	25,964
Reportable segment profit/(loss)	41	(9,180)	(24,352)	(398)	(99)	(53)	(34,041)
Other information							
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

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

5. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2011

	Continuing operations						Total HK\$'000 (unaudited)
	Publishing HK\$'000 (unaudited)	Crude oil exploration services HK\$'000 (unaudited)	Chinese information infrastructure HK\$'000 (unaudited)	Electronic card service HK\$'000 (unaudited)	Retailing and wholesales HK\$'000 (unaudited)	Others HK\$'000 (unaudited)	
Revenue							
From external customers	11,946	3,589	-	23	5,213	2,031	22,802
From other segments	-	-	-	-	-	17	17
Reportable segment revenue	<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>
Reportable segment loss	<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>
Other information							
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>

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

5. SEGMENT INFORMATION (Continued)

At 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)	
Reportable segment assets	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
Reportable segment liabilities	(8,705)	(7,568)	(2,609)	(1,185)	(54)	(72)	(20,193)

At 31 March 2012

	Continuing operations						Total HK\$'000 (audited)
	Publishing HK\$'000 (audited)	Crude oil exploration services HK\$'000 (audited)	Chinese information infrastructure and online social music gaming platform HK\$'000 (audited)	Electronic card service HK\$'000 (audited)	Retailing and wholesales HK\$'000 (audited)	Others HK\$'000 (audited)	
Reportable segment assets	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
Reportable segment liabilities	(8,307)	(7,424)	(1,468)	(3,747)	(9,517)	(72)	(30,535)

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

5. SEGMENT INFORMATION (Continued)

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:

	Six months ended 30 September	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Reportable segment revenue	25,964	22,819
Elimination of inter segment revenue	(5,553)	(17)
Revenue from continuing operations	<u>20,411</u>	<u>22,802</u>
Loss before income tax expenses and discontinued operations		
Reportable segment loss	(34,041)	(19,250)
Decrease in fair value of financial assets at fair value through profit or loss	(9,872)	(36,865)
Impairment of available-for-sale financial asset	(15,000)	-
Share of losses of associates	(1,604)	(1,087)
Unallocated corporate expenses	(6,312)	(4,772)
Finance costs	(4)	(4)
Loss before income tax from continuing operations	<u>(66,833)</u>	<u>(61,978)</u>

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

5. SEGMENT INFORMATION (Continued)

	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Reportable segment assets	433,748	418,963
Interests in associates	38,223	15,004
Available-for-sale financial asset	-	15,000
Amounts due from associates	72	67
Financial assets at fair value through profit or loss	34,202	50,911
Other corporate assets	248,703	321,954
	<u>754,948</u>	<u>821,899</u>
Group assets		
Reportable segment liabilities	20,193	30,535
Amounts due to fellow subsidiaries of an associate	677	675
Other corporate liabilities	30,613	31,753
	<u>51,483</u>	<u>62,963</u>
Group liabilities		

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

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

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

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

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX

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

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

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 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
The tax credit comprises:		
Current tax	-	-
Deferred tax		
Tax effect on temporary difference not recognised assets	1,168	740
	1,168	740

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

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:

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

Depreciation expense of the discontinued operations for the six months ended 30 September 2011 (for the six months ended 30 September 2012: HK\$Nil) amounted to HK\$93,000 and had been included in administrative expenses.

Note:

- (a) The Group recorded a gain on disposal of properties approximately HK\$55,477,000. Such gain was based on the consideration of HK\$286,000,000, less assets classified as held for sale of approximately HK\$226,549,000 as at 31 March 2011 and other related costs including real estate agent commission, legal cost, printer fees and all relevant expenses.

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

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 HK\$'000 (unaudited)	2011 HK\$'000 (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 Number of shares '000 (unaudited)	2011 Number of shares '000 (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.

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

10. LOSS PER SHARE (Continued)

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 HK\$'000 (unaudited)	2011 HK\$'000 (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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired equipment amounting to HK\$5,125,000 (2011: HK\$1,285,000).

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

12. INTANGIBLE ASSETS

	Exploration and production services right HK\$'000	Club memberships HK\$'000	Total HK\$'000
Carrying amount at 1 April 2012 (audited)	128,872	1,385	130,257
Amortisation	(5,813)	-	(5,813)
Exchange realignment	1,220	-	1,220
Carrying amount at 30 September 2012 (unaudited)	<u>124,279</u>	<u>1,385</u>	<u>125,664</u>

13. AVAILABLE-FOR-SALE FINANCIAL ASSET

	30 September 2012 HK\$'000 (unaudited)	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>15,000</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.

14. TRADE RECEIVABLES

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

	30 September 2012 HK\$'000 (unaudited)	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>27,205</u>	<u>23,376</u>

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

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

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Other receivables	13,708	19,467
Deposits and prepayments	54,049	27,770
	67,757	47,237

Included in other receivables of the Group at 31 March 2012 was a balance arising from the gain on acquisition of Raise Beauty Investments Limited and its subsidiaries (the "Raise Beauty Group") of HK\$2,655,000 from a connected party, Wealth Concept Holdings Limited, as a consequence of the failure in meeting the profit guarantee for the year ended 31 December 2008. Such amount has been fully recovered during the period ended 30 September 2012.

In addition, deposits for the development of online social music gaming platform amounting to approximately HK\$41,304,000 (As at 31 March 2012: HK\$24,834,000) are included in deposits and prepayments of the Group at 30 September 2012.

Save as disclosed above, 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.

16. TRADE PAYABLES

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

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

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.

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

17. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease Payments		Present value of minimum lease payments	
	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Amounts payable under finance leases:				
Within one year	35	52	29	43
In the second to fifth years inclusive	-	8	-	7
	<u>35</u>	<u>60</u>	<u>29</u>	<u>50</u>
Less: Future finance charges	(6)	(10)	-	-
Present value of lease obligations	<u>29</u>	<u>50</u>	<u>29</u>	<u>50</u>
Less: Amounts due within one year			(29)	(43)
Amounts due after one year			<u>-</u>	<u>7</u>

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% per annum (31 March 2012: 9% per annum). 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.

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

18. SHARE CAPITAL

All shares are equally eligible to receive dividends and the repayment of capital.

	Note	Number of shares '000 (unaudited)	Share capital HK\$'000 (unaudited)
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 April 2011, 31 March 2012 and 30 September 2012		200,000,000	2,000,000
Issued and fully paid:			
At 1 April 2011		1,033,884	10,339
Issue of new shares on exercise of warrants	(a)	2,260	22
At 30 September 2011		1,036,144	10,361
At 1 April 2012		1,039,594	10,396
Issue of new shares on exercise of warrants	(a)	3,330	33
At 30 September 2012		1,042,924	10,429

Note:

- (a) On 7 March 2011, the Company entered into a placing agreement with an independent placing agent in connection with the placing of up to 137,850,000 warrants (the "2013 Warrants") conferring rights to subscribe for up to HK\$38,598,000 in aggregate in cash for shares of HK\$0.01 each in share capital of the Company at an initial subscription price of HK\$0.28 per share during the period from 3 May 2011 to 2 May 2013, both day 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 for general working capital of the Group.

During the period, registered holders of 3,330,000 units (30 September 2011: 2,260,000 units) of 2013 Warrants exercised their rights to subscribe for 3,330,000 shares (30 September 2011: 2,260,000 shares) in the Company at consideration of HK\$932,400 (30 September 2011: HK\$632,800) of which HK\$33,300 (30 September 2011: HK\$22,600) was credited to share capital and the balance HK\$899,100 (30 September 2011: HK\$610,200) was credited to the share premium account. In addition, an amount of HK\$183,000 (30 September 2011: HK\$435,000) attributable to the 2013 Warrants has been transferred from the warrant reserve to the share premium account.

On 30 September 2012, the Company had 128,810,000 units (30 September 2011: 135,590,000 units) of outstanding 2013 Warrants conferring rights to subscribe up to approximately HK\$36,066,800 (30 September 2011: HK\$37,965,200) in cash for shares of HK\$0.01 each in the Company. Exercise in full of those outstanding warrants would, under the present share capital structure of the Company as of 30 September 2012, result in the issue of 128,810,000 (30 September 2011: HK\$135,590,000) additional shares of HK\$0.01 each in the Company.

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

19. RELATED PARTY TRANSACTIONS

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

	Rental Income received from related companies Six months ended 30 September		Other income received from related companies Six months ended 30 September		Expenses paid to related companies Six months ended 30 September		Amounts due from related companies 30 September		31 March
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2012 HK\$'000 (audited)	
Associates	-	230	-	24	120	-	72		67

20. CAPITAL COMMITMENTS

The Group had capital commitments in relation to the purchase of exploration and production properties for an exploration project at the reporting date as follows:

	30 September 2012 HK\$'000 (unaudited)	31 March 2012 HK\$'000 (audited)
Contracted but not provided for		
Exploration and production properties	7,200	7,131
Property, plant and equipment	11,001	16,418
	18,201	23,549
Authorised, but not contracted for		
Capital contributions to jointly-controlled entities	-	623
	18,201	24,172

21. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%) to 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 including directors' emoluments 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.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend for the six months ended 30 September 2012 (2011: nil).

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.

SHARE OPTION SCHEMES

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

The number of shares available for issue under the 2002 Scheme as at the date of the Interim Report is 158,681,050 which representing approximately 15.22% of the issued share capital of the Company.

Details of the movement of the share options granted to the Directors and employees of the Company under the 2002 Scheme during the period are as follows:

	Date of grant	Number of share options					At 30 September 2012	Exercise price	Exercise period
		At 1 April 2012	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									
Ms. Chow Lai Wah Livia	(i) 7 July 2006	548,500	-	-	-	-	548,500	0.92	7 July 2006 to 6 July 2016
	(ii) 29 June 2007	4,388,000	-	-	-	-	4,388,000	2.16	29 June 2007 to 28 June 2017
Mr. Kwan Kin Chung	(i) 7 July 2006	877,600	-	-	-	-	877,600	0.92	7 July 2006 to 6 July 2016
	(ii) 29 June 2007	109,700	-	-	-	-	109,700	2.16	29 June 2007 to 28 June 2017
	(iii) 6 November 2007	877,600	-	-	-	-	877,600	1.42	6 November 2007 to 5 November 2017

SHARE OPTION SCHEMES

		Date of grant	Number of share options					At 30 September 2012	Exercise price	Exercise period
			At 1 April 2012	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. Tang U Fai	(i)	19 December 2003	109,700	-	-	-	-	109,700	2.42	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	1,755,200	-	-	-	-	1,755,200	2.69	24 March 2005 to 23 March 2015
	(iii)	7 July 2006	109,700	-	-	-	-	109,700	0.92	7 July 2006 to 6 July 2016
Mr. Tang Kwing Chuen Kenneth		7 July 2006	54,850	-	-	-	-	54,850	0.92	7 July 2006 to 6 July 2016
Mr. Chen Man Lung	(i)	24 March 2005	1,426,100	-	-	-	-	1,426,100	2.69	24 March 2005 to 23 March 2015
	(ii)	7 July 2006	713,050	-	-	-	-	713,050	0.92	7 July 2006 to 6 July 2016
	(iii)	29 June 2007	1,206,700	-	-	-	-	1,206,700	2.16	29 June 2007 to 28 June 2017
	(iv)	6 November 2007	1,645,500	-	-	-	-	1,645,500	1.42	6 November 2007 to 5 November 2017
Mr. Wan Xiaolin		19 December 2003	329,100	-	-	-	-	329,100	2.42	19 December 2003 to 18 December 2013
(b) Employees	(i)	19 December 2003	3,554,280	-	-	-	-	3,554,280	2.42	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	4,388,000	-	-	-	-	4,388,000	2.69	24 March 2005 to 23 March 2015
	(iii)	7 July 2006	329,100	-	-	-	-	329,100	0.92	7 July 2006 to 6 July 2016
	(iv)	29 June 2007	10,476,350	-	-	-	-	10,476,350	2.16	29 June 2007 to 28 June 2017
	(v)	6 November 2007	12,286,400	-	-	-	-	12,286,400	1.42	6 November 2007 to 5 November 2017

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SHARE OPTION SCHEMES

		Date of grant	Number of share options					At 30 September 2012	Exercise price	Exercise period
			At 1 April 2012	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	2,490,190	-	-	-	-	2,490,190	2.42	19 December 2003 to 18 December 2013
	(ii)	24 March 2005	21,994,850	-	-	-	-	21,994,850	2.69	24 March 2005 to 23 March 2015
	(iii)	3 October 2005	3,291,000	-	-	-	-	3,291,000	1.93	3 October 2005 to 2 October 2015
	(iv)	7 July 2006	12,275,430	-	-	-	-	12,275,430	0.92	7 July 2006 to 6 July 2016
	(v)	29 June 2007	27,699,250	-	-	-	-	27,699,250	2.16	29 June 2007 to 28 June 2017
	(vi)	6 November 2007	45,744,900	-	-	-	-	45,744,900	1.42	6 November 2007 to 5 November 2017

Note:

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 2012, all options have been vested.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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 of 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 2012, 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 of Hong Kong Limited (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 interest	Number of shares held	Approximate percentage of issued share capital
Ms. Chow Lai Wah Livia	(i)	Beneficial owner	29,594,800	29.18%
	(ii)	Interests of a controlled corporation	93,588,600 (Note 1)	
	(iii)	Interests of spouse	181,178,712 (Note 2)	
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	135,000	0.01%
Mr. Wan Xiaolin	Beneficial owner	Personal interest	50,000	0.01%

Notes:

- Ms. Chow Lai Wah Livia ("Ms. Chow") has controlling interests in L&W Holding Limited ("L&W"). L&W is beneficially interested in 93,588,600 shares in the Company. Therefore, Ms. Chow is deemed to be interested in 93,588,600 shares in the Company under the SFO.
- Harvest Smart Overseas Limited ("Harvest Smart") is beneficially interested in 173,718,712 shares. Therefore, Ms. Chow is deemed to be interested in 173,718,712 shares in the Company under the SFO.

Mr. Dizon Basilio ("Mr. Dizon"), the spouse of Ms. Chow, is beneficially interested in 7,460,000 shares, and Mr. Dizon has controlling interests 98.64% in Harvest Smart. Therefore, Ms. Chow is deemed to be interested in 181,178,712 shares in the Company under the SFO.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS

(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 interest	Number of shares held	% of total issued share capital of the associated corporation
China Bio Cassava Holdings Limited	Mr. Kwan Kin Chung	Beneficial owner	Personal interest	5,250,000 (Note 1)	0.26%
	Mr. Chung Billy	Beneficial owner	Personal interest	800,000 (Note 2)	0.04%
	Mr. Wan Xiaolin	Beneficial owner	Personal interest	3,250,000 (Note 3)	0.16%
	Mr. Tang U Fai	Beneficial owner	Personal interest	1,000,000 (Note 4)	0.05%
	Mr. Chen Man Lung	Beneficial owner	Personal interest	4,250,000 (Note 5)	0.21%
	Mr. Tsang Wai Wa	Beneficial owner	Personal interest	876,355 (Note 6)	0.04%

Notes:

1. Mr. Kwan Kin Chung is beneficially interested in 5,250,000 share options in China Bio Cassava Holdings Limited.
2. Mr. Chung Billy is beneficially interested in 300,000 ordinary shares and 500,000 share options in China Bio Cassava Holdings Limited.
3. Mr. Wan Xiaolin is beneficially interested in 3,250,000 share options in China Bio Cassava Holdings Limited.
4. Mr. Tang U Fai is beneficially interested in 1,000,000 share options in China Bio Cassava Holdings Limited.
5. Mr. Chen Man Lung is beneficially interested in 4,250,000 share options in China Bio Cassava Holdings Limited. Mr. Chen Man Lung has resigned as the executive director of China Bio Cassava Holdings Limited with effect from 18 June 2012. Therefore, the share option of Mr. Chen Man Lung in China Bio Cassava Holdings Limited has been lapsed.
6. Mr. Tsang Wai Wa is beneficially interested in 626,355 ordinary shares and 250,000 share options in China Bio Cassava Holdings Limited.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS

(A) INTERESTS OF THE DIRECTORS (Continued)

Interests in share options of the Company

Name of Director	Capacity	Nature of interest	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital	
				HK\$			
Ms. Chow Lai Wah Livia	(i)	Beneficial owner	Personal interest	548,500	0.92	7 July 2006 to 6 July 2016	0.47%
	(ii)	Interests of spouse	Family interest	4,388,000 (Note 1)	2.16	29 June 2007 to 28 June 2017	
Mr. Kwan Kin Chung	(i)	Beneficial owner	Personal interest	877,600	0.92	7 July 2006 to 6 July 2016	0.18%
	(ii)	Beneficial owner	Personal interest	109,700	2.16	29 June 2007 to 28 June 2017	
	(iii)	Beneficial owner	Personal interest	877,600	1.42	6 November 2007 to 5 November 2017	
Mr. Tang U Fai	(i)	Beneficial owner	Personal interest	109,700	2.42	19 December 2003 to 18 December 2013	0.19%
	(ii)	Beneficial owner	Personal interest	1,755,200	2.69	24 March 2005 to 23 March 2015	
	(iii)	Beneficial owner	Personal interest	109,700	0.92	7 July 2006 to 6 July 2016	
Mr. Tang Kwing Chuen Kenneth	Beneficial owner	Personal interest	54,850	0.92	7 July 2006 to 6 July 2016	0.01%	

DISCLOSURE OF INTERESTS

(A) INTERESTS OF THE DIRECTORS (Continued)

Interests in share options of the Company (Continued)

Name of Director	Capacity	Nature of interest	Number of share options	Exercise price per share	Exercisable period	Approximate percentage of issued share capital
				HK\$		
Mr. Chen Man Lung	(i)	Beneficial owner	1,426,100	2.69	24 March 2005 to 23 March 2015	0.48%
	(ii)	Beneficial owner	713,050	0.92	7 July 2006 to 6 July 2016	
	(iii)	Beneficial owner	1,206,700	2.16	29 June 2007 to 28 June 2017	
	(iv)	Beneficial owner	1,645,500	1.42	6 November 2007 to 5 November 2017	
Mr. Wan Xiaolin	Beneficial owner	Personal interest	329,100	2.42	19 December 2003 to 18 December 2013	0.03%

Notes:

1. Mr. Dizon Basilio ("Mr. Dizon") has been granted 4,388,000 share options under the 2002 Scheme of the Company. Pursuant to the SFO, Ms. Chow, the spouse of Mr. Dizon, is deemed to be interested in the share options granted to Mr. Dizon.
2. The options exercise period is commenced from the date of grant for ten years. The option may be exercised at any time with the option period provided that the options have been vested. As at 30 September 2012, all options have been vested.

All interests stated above represent long positions.

Save as disclosed above, as at 30 September 2012, 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.

DISCLOSURE OF INTERESTS

(B) INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2012, 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:

Interests in the shares and underlying shares of the Company

Name	Capacity	Number of shares held	Number of underlying shares held	Approximate percentage of issued share capital
L&W Holding Limited	Beneficial owner (<i>Note 1</i>)	93,588,600	-	8.97%
Harvest Smart Overseas Limited	Beneficial owner and interests in controlled corporation (<i>Note 1</i>)	173,718,712	-	16.66%
Mr. Dizon Basilio	Beneficial owner, interests in controlled corporation and interests of spouse (<i>Note 1</i>)	304,362,112	4,936,500	29.66%
Ms. Chow Lai Wah Livia	Beneficial owner, interests in controlled corporation and interests of spouse (<i>Note 2</i>)	304,362,112	4,936,500	29.66%
Mr. Chan Kwok Keung Charles	Beneficial owner	53,700,000	-	5.15%
Ms. Ng Yuen Lan Mary	Interests of spouse (<i>Note 3</i>)	53,700,000	-	5.15%

Notes:

- Mr. Dizon Basilio ("Mr. Dizon") is beneficially interests in 7,460,000 shares and 4,388,000 share options in the Company. Mr. Dizon also has controlling interests 65% and 98.64% in L&W Holding Limited ("L&W") and Harvest Smart Overseas Limited ("Harvest Smart") respectively. Ms. Chow Lai Wah Livia ("Ms. Chow"), the spouse of Mr. Dizon and the Director of the Company, is beneficially interested in 29,594,800 shares in the Company, therefore, Mr. Dizon is deemed to be interested in 304,362,112 shares in the Company under the SFO.
- Ms. Chow Lai Wah Livia ("Ms. Chow") is beneficially interested in 29,594,800 shares and 548,500 share options in the Company. She is the spouse of Mr. Dizon and has controlling interests in L&W and Harvest Smart. Accordingly, Ms. Chow is deemed to be interested in 304,362,112 shares in the Company under the SFO.
- Ms. Ng Yuen Lan Mary, a spouse of Mr. Chan Kwok Keung Charles, pursuant to the SFO, is deemed to be beneficially interested in 53,700,000 shares in the Company.

All interests stated above represent long positions.

DISCLOSURE OF INTERESTS

(B) INTERESTS OF SUBSTANTIAL SHAREHOLDERS (Continued)

Interests in the shares and underlying shares of the Company (Continued)

Save as disclosed above, as at 30 September 2012, 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 Division 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 AND CONNECTED TRANSACTION

During the period, the Company had carried on a connected and continuing connected transaction, the details of the transactions are disclosed below.

- (a) The amount due from Wealthy Concept Holdings Limited of HK\$2,654,800 (equivalent to approximately RMB2,340,206) represented the remaining balance of the profit guarantee on the acquisition of Raise Beauty Group. The amount has been fully recovered during the period ended 30 September 2012.
- (b) On 29 June 2010, the Group entered into a licensing agreement (the "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 a 3-years right to Mutual Work for the production of movies from 29 June 2010. Details of the transaction were set out in the announcement of the Company dated 29 June 2010. The annual cap of the Licensing Agreement is based on the royalty payment and the share of bonus on the global box office result. No royalty income was received during the period.

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.

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.

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

Hong Kong, 30 November 2012