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## **CULTURECOM HOLDINGS LIMITED**

**文化傳信集團有限公司\***

*(incorporated in Bermuda with limited liability)*

(Stock Code: 343)

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

#### **INTERIM RESULTS**

The board of directors (the “Board”) of Culturecom Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period of 2009 are as follows:

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

		<b>Six months ended 30 September</b>	
	<i>Notes</i>	<b>2010 HK\$'000 (unaudited)</b>	<b>2009 HK\$'000 (unaudited)</b>
<b>Revenue</b>	3	<b>22,464</b>	18,072
Cost of sales		<u>(12,880)</u>	<u>(10,174)</u>
<b>Gross profit</b>		<b>9,584</b>	7,898
Other income		<b>15,644</b>	723
Administrative expenses		<b>(31,988)</b>	(28,554)
(Decrease)/Increase in fair value of financial assets at fair value through profit or loss		<b>(13,968)</b>	16,972
Share of losses of associates		<b>(499)</b>	(1,085)
Finance costs	4	<u><b>(74)</b></u>	<u>(4)</u>
<b>Loss before income tax</b>	5	<b>(21,301)</b>	(4,050)
Income tax credit	6	<u><b>1,571</b></u>	<u>1,440</u>
<b>Loss for the period</b>		<u><b>(19,730)</b></u>	<u>(2,610)</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**  
*FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2010</b>	2009
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Other comprehensive income</b>			
Exchange gain on translation of financial statements of foreign operations		<u>5,303</u>	<u>572</u>
<b>Other comprehensive income for the period</b>		<u>5,303</u>	<u>572</u>
<b>Total comprehensive income for the period</b>		<u><u>(14,427)</u></u>	<u><u>(2,038)</u></u>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(19,245)	(2,174)
Non-controlling interests		<u>(485)</u>	<u>(436)</u>
		<u><u>(19,730)</u></u>	<u><u>(2,610)</u></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(13,942)	(1,602)
Non-controlling interests		<u>(485)</u>	<u>(436)</u>
		<u><u>(14,427)</u></u>	<u><u>(2,038)</u></u>
<b>Loss per share attributable to the owners of the Company during the period</b>			
	7		
Basic		<u><u>HK2.79 cents</u></u>	<u><u>HK0.32 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2010*

		<b>30 September 2010 HK\$'000 (unaudited)</b>	<b>31 March 2010 HK\$'000 (restated)</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>90,547</b>	91,107
Investment properties		<b>151,236</b>	151,236
Long term deposits		<b>2,330</b>	2,284
Interests in associates		<b>23,220</b>	23,718
Goodwill		<b>2,617</b>	2,617
Intangible assets		<b>164,861</b>	167,870
Available-for-sale financial asset		<b>20,000</b>	10,000
		<hr/> <b>454,811</b> <hr/>	<hr/> 448,832 <hr/>
<b>Current assets</b>			
Inventories		<b>2,861</b>	1,969
Trade receivables	8	<b>17,104</b>	12,693
Other receivables, deposits and prepayments		<b>16,798</b>	19,446
Amounts due from a related company		<b>2,655</b>	–
Amounts due from associates		<b>48</b>	48
Tax recoverable		<b>36</b>	36
Financial assets at fair value through profit or loss		<b>97,718</b>	86,378
Bank balances and deposits with financial institutions		<b>123,016</b>	160,514
		<hr/> <b>260,236</b> <hr/>	<hr/> 281,084 <hr/>
<b>Current liabilities</b>			
Trade payables	9	<b>6,400</b>	5,058
Other payables and accrued charges		<b>20,818</b>	20,182
Amounts due to fellow subsidiaries of an associate		<b>677</b>	1,174
Amounts due to associates		<b>32</b>	641
Obligations under finance leases – due within one year		<b>43</b>	43
Tax payable		<b>717</b>	703
		<hr/> <b>28,687</b> <hr/>	<hr/> 27,801 <hr/>
<b>Net current assets</b>		<hr/> <b>231,549</b> <hr/>	<hr/> 253,283 <hr/>
<b>Total assets less current liabilities</b>		<hr/> <b>686,360</b> <hr/>	<hr/> 702,115 <hr/>

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

*AS AT 30 SEPTEMBER 2010*

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

#### **HKAS 17 Amendments Leases – Classification of Leases of Land and Building**

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

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

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

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

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

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

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

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

### **3. SEGMENT INFORMATION**

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

The Group has identified the following reportable segments:

- Publishing: Publication of comic books and royalty income from licensing comic books
- Property investment: Property investment for the property located in Hong Kong
- Crude oil exploration services: Crude oil exploration services in the People's Republic of China (the "PRC")
- Chinese information infrastructure: Provision of server management and data warehousing services
- Electronic card service: Electronic card payment services in convenience stores, supermarkets, fast-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 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.

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

**For the six months ended 30 September 2010**

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

**For the six months ended 30 September 2009**

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

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

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

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

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

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

#### 4. FINANCE COSTS

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

#### 5. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs, including directors emoluments	9,826	9,482
Amortisation of intangible assets	6,314	5,761
Depreciation of property, plant and equipment		
– Owned assets	3,021	1,749
– Assets held under finance leases	16	16
Dividend income	(2)	277
	<u>19,175</u>	<u>17,285</u>

#### 6. INCOME TAX CREDIT

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

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

## 7. LOSS PER SHARE

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

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

## 8. TRADE RECEIVABLES

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

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

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

## 9. TRADE PAYABLES

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

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

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

## 10. INTERIM DIVIDEND

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

## 11. COMPARATIVE FIGURES

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

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

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

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

### **Liquidity and Financial Resources**

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

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

## **Employment and Remuneration Policies**

As of 30 September 2010, the Group had a total of 129 (30 September 2009: 129) employees. Total staff costs incurred during the period amounted to approximately HK\$9,826,000 (30 September 2009: HK\$9,482,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

## **BUSINESS REVIEW**

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

A number of our achievements in the past six months deserve some attention. In our technology-business, our Group actively seeks for suitable cooperative partners to enhance and further commercialise its technologies. In the comics business, our Group has fortified its licensing business with additional resources, actively pursued opportunities in online gaming, animation and movie production, while continued to extend its reach to other media forms. One of the golden ideals of Culturecom has always been about bringing Chinese culture into the mainstream; and in light of this, our Group is developing an Asian-flavor animation/comic creation interface using our very own Generating Engine technology. Our huge animation/comic image database along with this Generating Engine will allow the mass public to participate in the production process; lowering cost on one hand, while appealing to a new generation of artists. Besides comics, our Group's venture in the petroleum extraction business has started to take shape and acting with prudence, our Group has devoted much effort on fine-tuning our exploration in the first half, leaving much of the oil extraction work in the second half of the year. As a result, the operation's impact to the overall financial results has been minimal but from the geology information gathered so far, our Group is confident that the oil extraction venture in Shengli Oilfield and Chaoshui Basin has the potential to yield promising results in the years to come.

## **PROSPECTS**

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

## **REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the six months ended 30 September 2010.

## **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 2010.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2010 except for the following deviations:

### **Code Provision A.4.1**

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The current independent non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-Law 110(A) and 190(v) of the Bye-Laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **Code Provision E.1.2**

Under the code provision E.1.2, the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Cheung Wai Tung was unable to attend the annual general meeting of the Company held on 13 September 2010 as he was on business trip for other important business engagement. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the six months ended 30 September 2010.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

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

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

Hong Kong, 26 November 2010

*As at the date of this announcement, the Board comprises of Mr. Cheung Wai Tung, Mr. Chu Bong Foo, Mr. Kwan Kin Chung, Mr. Wan Xiaolin, Mr. Chung Billy, Mr. Tang U Fai, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being executive Directors); and Mr. Tsang Wai Wa, Mr. Joseph Lee Chennault and Mr. Lai Qiang (all being independent non-executive Directors).*

*\* for identification purpose only*