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CULTURECOM HOLDINGS LIMITED

文化傳信集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 343)

(Warrant Code: 824)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011 together with the comparative figures for the corresponding period of 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended 30 September	
	<i>Notes</i>	2011 HK\$'000 (unaudited)	2010 HK\$'000 (restated)
Continuing operations:			
Revenue	3	22,802	19,187
Cost of sales		(15,733)	(12,488)
Gross profit		7,069	6,699
Other income	4	1,561	15,644
Administrative expenses		(32,652)	(29,675)
Decrease in fair value of financial assets at fair value through profit or loss		(36,865)	(13,968)
Share of losses of associates		(1,087)	(499)
Finance costs	6	(4)	(74)
Loss before income tax	7	(61,978)	(21,873)
Income tax credit	8	740	1,571
Loss after income tax from continuing operations		(61,238)	(20,302)
Discontinued operations:			
Profit for the period	9	54,780	572
Loss for the period		(6,458)	(19,730)

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	<i>Notes</i>	Six months ended 30 September	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(restated)
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		<u>9,023</u>	<u>5,303</u>
Other comprehensive income for the period		<u><u>9,023</u></u>	<u><u>5,303</u></u>
Total comprehensive income for the period		<u><u>2,565</u></u>	<u><u>(14,427)</u></u>
Loss for the period attributable to:			
Owners of the Company		(5,635)	(19,245)
Non-controlling interests		<u>(823)</u>	<u>(485)</u>
		<u><u>(6,458)</u></u>	<u><u>(19,730)</u></u>
Total comprehensive income attributable to:			
Owners of the Company		3,388	(13,942)
Non-controlling interests		<u>(823)</u>	<u>(485)</u>
		<u><u>2,565</u></u>	<u><u>(14,427)</u></u>
Loss per share attributable to the owners of the Company during the period			
From continuing and discontinued operations	10		
Basic (2010: restated)		<u><u>HK0.5cents</u></u>	<u><u>HK2.5cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>
From continuing operations			
Basic (2010: restated)		<u><u>HK5.8cents</u></u>	<u><u>HK2.5cents</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 2011

	30 September	31 March
	2011	2011
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Non-current assets		
Property, plant and equipment	70,856	73,324
Long-term deposits	2,441	2,375
Interests in associates	21,136	22,222
Intangible assets	136,129	138,385
Available-for-sale financial assets	20,000	20,000
	250,562	256,306
Current assets		
Inventories	24,864	2,852
Trade receivables	20,633	21,020
Other receivables, deposits and prepayments	23,275	20,431
Amounts due from associates	58	52
Tax recoverables	53	53
Financial assets at fair value through profit or loss	49,066	62,071
Bank balances and deposits with financial institutions	503,663	258,176
	621,612	364,655
Assets classified as held for sale	–	226,549
	621,612	591,204
Current liabilities		
Trade payables	7,666	6,737
Other payables and accrued charges	24,752	26,593
Amounts due to fellow subsidiaries of an associate	675	675
Amounts due to associates	–	1,144
Obligations under finance leases – due within one year	43	43
Tax payables	713	733
	33,849	35,925
Liabilities associated with assets classified as held for sale	–	970
	33,849	36,895
Net current assets	587,763	554,309
Total assets less current liabilities	838,325	810,615

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

AS AT 30 SEPTEMBER 2011

	30 September 2011 HK\$'000 (unaudited)	31 March 2011 HK\$'000 (audited)
EQUITY		
Equity attributable to owners of the Company		
Share capital	10,361	10,339
Reserves	796,368	767,988
	806,729	778,327
Non-controlling interests	–	823
Total equity	806,729	779,150
Non-current liabilities		
Obligations under finance leases – due after one year	28	50
Deferred tax liabilities	31,568	31,415
	31,596	31,465
	838,325	810,615

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 interim 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 2011.

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 2011 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:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party disclosures

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

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

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

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of Interest in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of Items of other Comprehensive Income ²
HKAS 19 (2011)	Employee Benefits ¹
HKAS 27 (2011)	Separation Financial Statements ¹
HKAS 28 (2011)	Investments in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 July 2012

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and Separate Financial Statements” that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement.

The directors of the Company are in the process of ascertaining the financial impact on application of HKFRS 10.

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. 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, exploration and production services income and is analysed as follows:

	Six months end	
	30 September	
	2011	2010
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(restated)
Revenue on continuing operations		
Sales of goods	19,213	15,481
Exploration and production services income	3,589	3,706
	<u>22,802</u>	<u>19,187</u>

4. OTHER INCOME

	Six months end	
	30 September	
	2011	2010
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(restated)
Gain on disposals of financial assets at fair value through profit or loss	33	14,748
Interest income on bank deposits	788	376
Management fee income	–	13
Sundry income	740	505
Dividend received from listed equity securities	–	2
	<u>1,561</u>	<u>15,644</u>

5. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

- Publishing: Publication of comic books and royalty income from licensing comic books
- Crude oil exploration services: Crude oil exploration services in the PRC
- Chinese information infrastructure: Provision of server management, data warehousing services and the development of interactive social network website
- 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
- Property Investments (which were discontinued during the period)

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

The Group entered into a provisional agreement for sale and purchase ("the Provisional Agreement") to dispose of the whole block of Culturecom Centre, located at 47 Hung To Road, Kwun Tong, Kowloon, Hong Kong (the "Disposal Property") for a consideration of HK\$286,000,000. Save for 26% of the floor areas of the Disposal Property which are used as the Group's office premises, the remaining 74% of the floor areas of the Disposal Property are leased out to tenants. In accordance with HKFRS 5, the Group's business of property investment is referred to as the Discontinued Operations for the period ended 30 September 2011 and 2010 in the Group's unaudited condensed interim financial statements. Further details regarding the results of the Discontinued Operations are set out in note 9 to the unaudited condensed interim financial statements.

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

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	11,946	3,589	-	23	5,213	2,048	22,819
Reportable segment loss	(2,060)	(9,189)	(5,603)	(904)	(1,394)	(100)	(19,250)
Other information							
Amortisation of intangible assets	-	5,757	-	-	-	-	5,757
Bank interest income	-	(192)	(525)	-	-	(71)	(788)
Depreciation of property, plant and equipment	83	3,946	-	50	40	215	4,334

For the six months ended 30 September 2010

	Continuing operations						Total HK\$'000 (Restated)
	Publishing HK\$'000 (Restated)	Crude oil exploration services HK\$'000 (Restated)	Chinese information infrastructure HK\$'000 (Restated)	Electronic Card service HK\$'000 (Restated)	Retailing and wholesales HK\$'000 (Restated)	Others HK\$'000 (Restated)	
Revenue							
From external customers	13,359	3,706	-	74	1,417	631	19,187
From other segments	6	-	-	-	323	-	329
Reportable segment revenue	13,365	3,706	-	74	1,740	631	19,516
Reportable segment profit/(loss)	4,072	(7,662)	(2,440)	(1,441)	(3,506)	(919)	(11,896)
Other information							
Amortisation of intangible assets	-	5,905	-	409	-	-	6,314
Bank interest income	-	(368)	-	(5)	-	(3)	(376)
Depreciation of property, plant and equipment	75	2,018	-	52	39	-	2,184

At 30 September 2011

	Continuing operations						Total <i>HK\$'000</i> (unaudited)
	Publishing <i>HK\$'000</i> (unaudited)	Crude oil exploration services <i>HK\$'000</i> (unaudited)	Chinese information infrastructure <i>HK\$'000</i> (unaudited)	Electronic Card service <i>HK\$'000</i> (unaudited)	Retailing and wholesales <i>HK\$'000</i> (unaudited)	Others <i>HK\$'000</i> (unaudited)	
Reportable segment assets	21,384	229,659	74,727	5,638	35,822	6,694	373,924
Additions to non-current assets	714	134	84	-	209	114	1,255
Reportable segment liabilities	(9,437)	(6,458)	(405)	(4,741)	(3,973)	(62)	(25,076)

At 31 March 2011

	Continuing operations						Total <i>HK\$'000</i> (audited)
	Publishing <i>HK\$'000</i> (audited)	Crude oil exploration services <i>HK\$'000</i> (audited)	Chinese information infrastructure <i>HK\$'000</i> (audited)	Electronic Card service <i>HK\$'000</i> (audited)	Retailing and wholesales <i>HK\$'000</i> (audited)	Others <i>HK\$'000</i> (audited)	
Reportable segment assets	14,239	246,588	72,933	7,065	17,611	6,252	364,688
Additions to non-current assets	230	2,425	77	10	-	1,095	3,837
Reportable segment liabilities	(8,665)	(9,226)	(414)	(5,313)	(563)	(49)	(24,230)

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 end	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Reportable segment revenue	22,819	19,516
Elimination of inter segment revenue	(17)	(329)
	<hr/>	<hr/>
Revenue from continuing operations	22,802	19,187
	<hr/> <hr/>	<hr/> <hr/>
Loss before income tax expenses and discontinued operations		
Reportable segment loss	(19,250)	(11,896)
Decrease in fair value of financial assets at fair value through profit or loss	(36,865)	(13,968)
Share of losses of associates	(1,087)	(499)
Unallocated corporate (expenses)/income	(4,772)	4,564
Finance costs	(4)	(74)
	<hr/>	<hr/>
Loss before income tax credit from continuing operations	(61,978)	(21,873)
	<hr/> <hr/>	<hr/> <hr/>
	30 September	31 March
	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Reportable segment assets	373,924	364,688
Interests in associates	21,136	22,222
Available-for-sale financial assets	20,000	20,000
Amounts due from associates	58	52
Financial assets at fair value through profit or loss	49,066	62,071
Assets of discontinued operations	–	226,549
Other corporate assets	407,990	151,928
	<hr/>	<hr/>
Group assets	872,174	847,510
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	25,076	24,230
Amounts due to fellow subsidiaries of an associate	675	675
Amounts due to associates	–	1,144
Liabilities of discontinued operations	–	970
Other corporate liabilities	39,694	41,341
	<hr/>	<hr/>
Group liabilities	65,445	68,360
	<hr/> <hr/>	<hr/> <hr/>

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

	Revenue from customers	
	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Hong Kong (place of domicile)	13,200	13,563
The PRC	3,949	3,780
Macau	2,251	641
Japan	3,402	1,203
	<hr/>	<hr/>
	22,802	19,187
	<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.

6. FINANCE COSTS

	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Continuing operations		
Interest charges on:		
Finance leases	4	4
Other borrowings wholly repayable within five years	–	70
	<hr/>	<hr/>
	4	74
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Continuing operations		
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs, including directors emoluments	9,257	9,826
Amortisation of intangible assets	5,757	6,314
Depreciation of property, plant and equipment		
– Owned assets	4,318	2,395
– Assets held under finance leases	16	16
Dividend income	–	(2)
	<u> </u>	<u> </u>

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 (2010: nil). The Group also had no assessable profits in other jurisdiction in both periods.

	Six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
The tax credit comprises:		
Current tax	–	–
Deferred tax		
Tax effect on temporary difference not recognised assets	740	1,571
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

9. DISCONTINUED OPERATIONS

The Group entered into the Provisional Agreement with an independent third party in relation to the Disposal of the Disposal Property for a consideration of HK\$286,000,000 and completed on 23 September 2011. In accordance with HKFRS 5, the Group's business of property investment is classified as the Discontinued Operations, the analysis of the results of which for the period ended 30 September 2011 and 2010 is as follows:

	<i>Note</i>	Six months ended	
		30 September	
		2011	2010
		HK\$'000	HK\$'000
		(unaudited)	(restated)
Revenue		2,365	3,277
Cost of sales		(413)	(392)
		<hr/>	<hr/>
Gross profit		1,952	2,885
Administrative expenses		(2,649)	(2,313)
Gain on disposal of properties	(a)	55,477	–
		<hr/>	<hr/>
Profit before income tax		54,780	572
Income tax credit/(expense)		–	–
		<hr/>	<hr/>
Profit for the period		54,780	572
		<hr/> <hr/>	<hr/> <hr/>

Depreciation expense of the Discontinued Operations for the period amounted to HK\$93,000 (2010: HK\$626,000) has 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 from of HK\$286,000,000, less assets classified as held for sale approximately \$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.

10. LOSS PER SHARE

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

Earnings/(Loss)	Six months ended	
	30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(restated)
Loss attributable to the owners of the Company for the purpose of basic loss per share:		
Continuing operations	(60,415)	(19,817)
Discontinued operations	54,780	572
	<hr/>	<hr/>
Total loss from continuing and discontinued operations	<u>(5,635)</u>	<u>(19,245)</u>
Number of shares	2011	2010
	Number	Number
	of shares	of shares
	'000	'000
	(unaudited)	(restated)
Weighted average number of shares for the purpose of basic loss per share	1,034,902	780,789
	<hr/>	<hr/>

Basic loss per share for the period ended 30 September 2010 had been re-calculated to reflect the share issuance occurred during the period.

No diluted loss per share has been presented for both period because the exercise prices of the Company's share options were higher than the average market price of the Company's shares during the periods.

11. TRADE RECEIVABLES

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

	30 September 2011 <i>HK\$'000</i> (unaudited)	31 March 2011 <i>HK\$'000</i> (audited)
0 – 60 days	4,383	7,112
61 – 90 days	3,765	9,795
91 – 180 days	2,521	228
Over 180 days	9,964	3,885
	<hr/> 20,633 <hr/>	<hr/> 21,020 <hr/>

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

12. TRADE PAYABLES

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

	30 September 2011 <i>HK\$'000</i> (unaudited)	31 March 2011 <i>HK\$'000</i> (audited)
0 – 60 days	6,064	2,681
61- 90 days	1,231	610
Over 90 days	371	3,446
	<hr/> 7,666 <hr/>	<hr/> 6,737 <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.

13. INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2011 (30 September 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 September 2011, the Group's overall revenue from external customers increased by 18.84% to HK\$22,802,000 of which approximately HK\$11,946,000, HK\$3,589,000, nil, HK\$23,000, HK\$5,213,000 and HK\$2,031,000 (30 September 2010: HK\$13,359,000, HK\$3,706,000, nil, HK\$74,000, HK\$1,417,000 and HK\$631,000) were attributable to our continuing business of publishing, crude oil exploration services, Chinese information infrastructure, electronic card service, retailing and wholesales and others respectively.

The revenue from discontinued operations of investment properties decreased by 27.83% to HK\$2,365,000 and the disposal of the whole block of Culturecom Centre was completed on 23 September 2011, resulting in a total net gain of approximately HK\$54,780,000.

The Group's consolidated net loss attributable to the owners of the Company decreased from HK\$19,245,000 or HK2.5 cents loss per share (as restated) to HK\$5,635,000 or HK0.5 cents loss per share. This was mainly due to the total net gain from the disposal of the discontinued operations, offset by a decrease in fair value of financial assets at fair value through profit or loss of approximately HK\$36,865,000. 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 2011, the Group's net asset value was HK\$806,729,000 and net asset value per weighted average number of 1,034,902,416 shares of the Company was approximately HK\$0.78 (31 March 2011: HK\$0.96).

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 2,260,000 units of the 2013 Warrants exercised their rights to subscribe for 2,260,000 shares in the Company at HK\$0.28 per share.

Substantial Disposal

On 27 January 2011, the Group entered into a provisional agreement for sale and purchase with an independent third party in relation to the disposal of the whole block of property located in 47 Hung To Road, Kwun Tong, Hong Kong (the “Disposal”) at a consideration of HK\$286,000,000 (the “Consideration”). The Disposal was completed on 23 September 2011 and the Consideration was fully received by the Group. After the completion of the Disposal, the Group record a gain of approximately HK\$55,477,000 and the sale proceed will used for future investments which may be in the principle line of business of the Group.

Liquidity and Financial Resources

As at 30 September 2011, the Group had bank and deposits with financial institutions balance in aggregate of approximately HK\$503,663,000 and financial assets at fair value through profit or loss of HK\$49,066,000. The Group has no significant exposure to foreign exchanges rate fluctuation.

As of 30 September 2011, the Group had a net current asset of approximately HK\$587,763,000 (31 March 2011: HK\$554,309,000) and a current ratio of 18.36 (31 March 2011: 16.02). The Group’s total liabilities as of 30 September 2011 amounted to approximately HK\$65,445,000 (31 March 2011: HK\$68,360,000) and represented approximately 8.1% (31 March 2011: 8.8%) 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 2011, the Group had a total of 121 (30 September 2010: 129) employees. Total staff costs incurred during the period amounted to approximately HK\$9,257,000 (30 September 2010: HK\$9,826,000). Remuneration packages are maintained at competitive levels and reviewed by the management on a periodical basis. Discretionary bonuses and incentive share options are awarded to certain directors and employees according to the assessment of individual merit and performance.

BUSINESS REVIEW

The global economic turmoil has affected many businesses, and our Group is of no exception. Although we have implemented guidelines consistently to revalue its position in the marketplace, and have branched out actively to exciting businesses with enormous growth potential, by no means have our undertakings come in an easy breeze for many of our operating units over the past six months. It is unfortunate that our overall

performance for the period has therefore been negatively affected by such an economic climate, despite the gains that were reported from the disposal of our head office. Nevertheless, we are eager to inform you that many of the early seeds that were being planted by us, such as digging deeper into our core business of animation and comics market in Asia, have finally become full blooms. All in all, this is a particularly exciting time for our Group, as the layers of dust in the past have now been blown off, and a solid path of success is certainly on its way to come.

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, working against the backdrop of credit tightening and economic uncertainties in China, has devoted much of its effort on fine-tuning oil exploration in the first half, while leaving much of the extraction work in the second half of the year. As a consequence, the operation's impact to the overall financial results was less desirable when compared to the earlier periods; however, from the positive 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 very near future.

PROSPECTS

Looking ahead, our Group is excited about its upcoming projects, and is optimistic of its future. We will continue to foster our relationships with the existing cooperative partners and business associates. Online social networking is an effective communication tool between people, and its popularity has increased rapidly over the past few years globally, as evident by the societal impact that Facebook, Twitter and Youtube have had. Our Group strongly believes in the enormous potential of online social networking for the Chinese-speaking population all over the world. Leveraging on the Group's enormous IP database, animation generating engine and celebrity endorsement, our Group no doubt has the resources necessary to effectively develop an interactive social network, providing an one-of-a-kind new media and game social networking for the global Asian communities. In addition to an online presence, our Group has continued 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. We are immensely grateful for our shareholders' support over the years, 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 and redeemed any of the listed securities in the Company during the six months ended 30 September 2011.

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 2011.

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 2011 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 8 August 2011 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 2011.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.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, 25 November 2011

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

* *for information purposes only*