中國東方文化集團有限公司

China Oriental Culture Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Directors") of China Oriental Culture Group Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011, together with the comparative audited figures for the year ended 31 December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011**	2010
		RMB'000	*RMB'000*
Continuing operations			
Turnover	*3*	**58,169**	30,970
Revenue	*3*	**38,220**	13,800
Cost of sales and services		**(81,875)**	(47,566)
Gross loss		**(43,655)**	(33,766)
Other income	*4*	**63**	355
Selling and marketing expenses		**(751)**	(179)
Administrative expenses		**(67,411)**	(36,888)
Gain on disposal of a subsidiary		**–**	8
Loss on disposal of held-for-trading investments		**(1,211)**	(14,969)
Impairment loss recognised on amount due from an associate		**(15,483)**	–
Decrease in fair value of derivative financial instruments		**(3,666)**	–
Increase in fair value of held-for-trading investments		**–**	6,007
Share of results of an associate		**(1,532)**	90
Finance costs	*5*	**(16,526)**	(23,487)
Loss before tax		**(150,172)**	(102,829)
Income tax expense	*6*	**–**	–
Loss for the year from continuing operations		**(150,172)**	(102,829)

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Discontinued operations			
Profit (loss) for the year from discontinued operations		**3,331**	(2,461)
Loss for the year	*7*	**(146,841)**	(105,290)
Other comprehensive income			
Exchange differences arising on translation and other comprehensive income for the year		**756**	3,372
Total comprehensive expense for the year		**(146,085)**	(101,918)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(149,171)**	(102,689)
– from discontinued operations		**3,331**	(2,461)
Loss for the year attributable to owners of the Company		**(145,840)**	(105,150)
Loss the year attributable to non-controlling interests			
– from continuing operations		**(1,001)**	(140)
– from discontinued operations		**–**	–
Loss for the year attributable to non-controlling interests		**(1,001)**	(140)
		(146,841)	(105,290)
Total comprehensive expense attributable to:			
Owners of the Company		**(145,084)**	(101,778)
Non-controlling interests		**(1,001)**	(140)
		(146,085)	(101,918)
(Loss) earnings per share	*9*		
From continuing operations			
Basic and diluted (RMB cents)		**(8.49)**	(8.30)
From discontinued operations			
Basic and diluted (RMB cents)		**0.19**	(0.20)
From continuing and discontinued operations			
Basic and diluted (RMB cents)		**(8.30)**	(8.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment		**11,271**	9,891
Intangible assets	*10*	**653,024**	646,304
Goodwill	*11*	**18,463**	–
Interest in an associate		**–**	1,590
Deposit paid for acquisition of an intangible asset		**–**	10,108
Prepayment for a mobile media project		**–**	5,000
Available-for-sale investments		**2,029**	1,694
		684,787	674,587
Current assets			
Trade and other receivables	*12*	**37,601**	22,889
Amount due from an associate		**10,843**	23,527
Amount due from non-controlling interest holder		**203**	–
Held-for-trading investments		**–**	21,960
Income tax recoverable		**9**	–
Restricted bank balance		**–**	42
Bank balances and cash		**18,194**	41,657
		66,850	110,075
Current liabilities			
Trade and other payables	*13*	**10,392**	19,584
Amount due to a shareholder		**–**	5,977
Amount due to a director		**12**	–
Income tax payable		**–**	40
Other borrowings		**18,325**	–
Derivative financial liabilities		**11,587**	–
		40,316	25,601
Net current assets		**26,534**	84,474
Total assets less current liabilities		**711,321**	759,061
Capital and reserves			
Share capital		**171,828**	142,126
Reserves		**500,995**	542,990
Equity attributable to owners of the Company		**672,823**	685,116
Non-controlling interests		**795**	816
Total equity		**673,618**	685,932
Non-current liability			
Convertible loan notes	*14*	**37,703**	73,129
		711,321	759,061

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The directors of the Company anticipate that the application of the above new and revised HKFRSs has had no material impact on the Group's financial performance and position for the current and prior years and / or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. 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) the 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.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover for the year from continuing operations is as follows:

	2011	2010
	RMB'000	*RMB'000*
Advertising service income	**37,617**	–
Consultancy service income	**603**	–
Sales of third party software and hardware	**–**	13,800
Gross proceeds from trading of securities	**19,949**	17,170
	58,169	30,970

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

1. Advertising media – provision of advertising services in respect of placing advertisements on the outdoor billboards and light-emitting diode ("LED") screens of the Group to advertisers and advertising agencies;

2. Other media – provision of consultancy and media business operation services;

3. Sales of third party software and hardware – provision of third party operational supporting system (OSS) software and hardware; and

4. Securities trading – trading of financial assets at fair value through profit or loss.

During the year ended 31 December 2011, there is a new reportable and operating segment regarding other media business upon the acquisition of a subsidiary.

Operating segments regarding the sales of self-developed software and maintenance, training and other services was discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations.

Segment revenue and results

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

For the year ended 31 December 2011

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Total *RMB'000*
REVENUE					
External sales	**38,078**	**142**	**–**	**–**	**38,220**
Segment (loss) profit	**(58,060)**	**(3,180)**	**–**	**(1,211)**	**(62,451)**
Share of result of an associate					**(1,532)**
Impairment loss recognised on amount due from an associate					**(15,483)**
Decrease in fair value of derivative financial instruments					**(3,666)**
Unallocated other income					**63**
Unallocated corporate expenses					**(50,577)**
Finance costs					**(16,526)**
Loss before tax (continuing operations)					**(150,172)**

For the year ended 31 December 2010

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Total *RMB'000*
REVENUE					
External sales	–	–	13,800	–	13,800
Segment (loss) profit	(39,694)	–	250	(8,962)	(48,406)
Share of result of an associate					90
Unallocated other income					355
Gain on disposal of a subsidiary					8
Unallocated corporate expenses					(31,389)
Finance costs					(23,487)
Loss before tax (continuing operations)					(102,829)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit / loss represents the profit earned by / loss from each segment without allocation of central administration costs, directors' emoluments, interest income, share of result of an associate, impairment loss recognised on amount due from an associate, decrease in fair value of derivative financial instruments, finance costs, gain on disposal of a subsidiary, loss on disposal of plant and equipment and depreciation of certain plant and equipment. This is the measure reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011	2010
	RMB'000	*RMB'000*
Segment assets		
Continuing operations		
Advertising media	**632,714**	684,914
Other media	**59,207**	–
Sales of third party software and hardware	**–**	11,247
Securities trading	**–**	21,960
Total segment assets	**691,921**	718,121
Assets relating to discontinued operations	**–**	2,656
Unallocated corporate assets	**59,716**	63,885
Consolidated assets	**751,637**	784,662
Segment liabilities		
Continuing operations		
Advertising media	**4,923**	–
Other media	**–**	–
Sales of third party software and hardware	**–**	6,082
Securities trading	**–**	–
Total segment liabilities	**4,923**	6,082
Liabilities relating to discontinued operations	**–**	5,492
Unallocated corporate liabilities	**73,096**	87,156
Consolidated liabilities	**78,019**	98,730

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, interest in an associate, amount due from an associate, amount due from non-controlling interest holder, certain other receivables and certain bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, amount due to a shareholder, amount due to a director, income tax payable, other borrowings, derivative financial liabilities and convertible loan notes.

Other segment information

For the year ended 31 December 2011

Continuing operations

	Advertising media *RMB'000*	Other media *RMB'000*	Sales of third party software and hardware *RMB'000*	Securities trading *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	**5,076**	**64,713**	**–**	**–**	**1,674**	**71,463**
Depreciation and amortisation	**35,724**	**3,326**	**–**	**–**	**1,347**	**40,397**
Impairment loss on intangible asset	**1,195**	**–**	**–**	**–**	**–**	**1,195**
Impairment loss recognised on deposit paid for acquisition of an intangible asset	**8,545**	**–**	**–**	**–**	**–**	**8,545**
Impairment loss on prepayment for a mobile media project	**5,000**	**–**	**–**	**–**	**–**	**5,000**
Impairment loss on other receivables	**1,000**	**–**	**–**	**–**	**436**	**1,436**
Loss on disposal of held-for-trading investments	**–**	**–**	**–**	**1,211**	**–**	**1,211**
Loss on written off of plant and equipment	**490**	**–**	**–**	**–**	**37**	**527**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss and segment assets:						
Interest in an associate	**–**	**–**	**–**	**–**	**–**	**–**
Share of result of an associate	**–**	**–**	**–**	**1,532**	**–**	**1,532**
Interest income	**–**	**–**	**–**	**–**	**(31)**	**(31)**
Interest expenses	**–**	**–**	**–**	**–**	**16,526**	**16,526**
Share-based payment expenses	**–**	**–**	**–**	**–**	**16,588**	**16,588**
Impairment loss recognised on amount due from an associate	**–**	**–**	**–**	**–**	**15,483**	**15,483**
Decrease in fair value of derivative financial liabilities	**–**	**–**	**–**	**–**	**3,666**	**3,666**

Other segment information

For the year ended 31 December 2010

Continuing operations

	Advertising media	Other media	Sales of third party software and hardware	Securities trading	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	701,293	–	–	–	3,509	704,802
Depreciation and amortisation	34,485	–	–	–	813	35,298
Loss on disposal of held-for-trading investments	–	–	–	14,969	–	14,969
Increase in fair value of held-for-trading investments	–	–	–	(6,007)	–	(6,007)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss and segment assets:						
Interest in an associate	–	–	–	–	1,590	1,590
Share of result of an associate	–	–	–	–	(90)	(90)
Interest income	–	–	–	–	(355)	(355)
Interest expenses	–	–	–	–	23,487	23,487
Share-based payment expenses	–	–	–	–	11,380	11,380
Gain on disposal of a subsidiary	–	–	–	–	(8)	(8)

Revenue from major product and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2011	2010
	RMB'000	*RMB'000*
Advertising service income	**38,078**	–
Consultancy service income	**142**	–
Sales of third party software and hardware	**–**	13,800
	38,220	13,800

Geographical information

The Group's operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operation. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**38,220**	13,800	**677,376**	666,805
Hong Kong	**–**	–	**5,382**	4,498
	38,220	13,800	**682,758**	671,303

Note: Non-current assets excluded those relating to discontinued operations and interest in an associate and available-for-sale investments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2011	2010
	RMB'000	*RMB'000*
Customer A[1]	**11,857**	N/A[3]
Customer B[1]	**8,116**	N/A[3]
Customer C[1]	**4,008**	N/A[3]
Customer D[2]	**N/A[3]**	6,536
Customer E[2]	**N/A[3]**	3,668
Customer F[2]	**N/A[3]**	2,474

[1] Revenue from advertising media.
[2] Revenue from sales of third party software and hardware.
[3] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

4. OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Written off of other payables	**27**	–
Interest income	**31**	355
Others	**5**	–
	63	355

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Interest on other borrowings wholly repayable within five years	**415**	–
Effective interest expense on convertible loan notes	**16,111**	23,487
	16,526	23,487

6. INCOME TAX EXPENSE

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for PRC Enterprise Income Tax was made for in the consolidated financial statements for the two years ended 31 December 2011 as there was no estimated assessable profit derived from the PRC.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2011 as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both years.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Directors' emoluments	**7,723**	5,503
Other staff costs (excluding directors' emoluments)	**6,346**	4,570
Share-based payment expenses (excluding directors' emoluments)	**4,263**	9,399
Retirement benefits scheme contributions (excluding directors' emoluments)	**340**	251
Total staff costs	**18,672**	19,723
Auditor's remuneration	**498**	474
Share-based payment expenses granted to consultants *(Note)*	**7,676**	–
Depreciation of plant and equipment	**3,059**	1,282
Amortisation of intangible assets	**37,338**	34,016
Accruals for litigation claims	**–**	18
Impairment loss recognised on other receivables	**1,436**	–
Cost of inventories recognised as an expense	**–**	13,551
Foreign exchange losses	**234**	460
Loss on disposal of plant and equipment	**–**	12
Impairment loss on intangible asset	**1,195**	–
Impairment loss on deposit paid for acquisition of an intangible asset	**8,545**	–
Impairment loss on prepayment for a mobile media project	**5,000**	–
Written off of plant and equipment	**527**	–
Operating lease rentals in respect of rented premises	**6,636**	3,988

Note: It represents share options granted to external consultants in exchange for services rendered to the Group.

8. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

9. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

Loss	**2011** ***RMB'000***	2010 *RMB'000*
Loss for the year attributable to owners of the Company	**(145,840)**	(105,150)

Number of shares	**2011** ***'000***	2010 *'000*
Weighted average number of ordinary shares for the purpose of basis loss per share	**1,757,641**	1,236,674

From continuing operations

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

Loss figures are calculated as follows:

	2011 ***RMB'000***	2010 *RMB'000*
Loss for the year attributable to the owners of the Company	**(145,840)**	(105,150)
Less: profit (loss) for the year from discontinued operations	**3,331**	(2,461)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(149,171)**	(102,689)

The computation of diluted loss per share does not assume the exercise of the Company's share options / non-listed warrants because the exercise price of those share options / non-listed warrants were higher than the average market price for shares; and does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share from the continuing operations for 2011.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share from continuing operations; and does not assume the exercise of the Company's share options because the exercise price of those share options were higher than the average market price for shares for 2010.

From discontinued operations

Earnings (2010: loss) per share for the discontinued operation is RMB0.19 cents per share (2010: loss: RMB0.20 cents per share), based on the profit (loss) for the year from the discontinued operations of approximately RMB3,331,000 (2010: loss: RMB2,461,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

10. INTANGIBLE ASSETS

	LED displays advertising right *RMB'000* *(Note i)*	**Consultancy service contracts** *RMB'000* *(Note ii)*	**Other advertising right** *RMB'000* *(Note iii)*	**Total** *RMB'000*
COST				
Acquired on acquisition of a subsidiary	680,320	–	–	680,320
At 31 December 2010	680,320	–	–	680,320
Acquired on acquisition of a subsidiary	–	45,589	–	45,589
Transfer from deposit paid for acquisition of an intangible asset	–	–	1,229	1,229
Exchange realignment	–	(1,550)	(41)	(1,591)
At 31 December 2011	680,320	44,039	1,188	725,547
AMORTISATION AND IMPAIRMENT				
Provided for the year	34,016	–	–	34,016
At 31 December 2010	34,016	–	–	34,016
Provided for the year	34,016	3,322	–	37,338
Impairment loss recognised	–	–	1,195	1,195
Exchange realignment	–	(19)	(7)	(26)
At 31 December 2011	68,032	3,303	1,188	72,523
CARRYING VALUES				
At 31 December 2011	612,288	40,736	–	653,024
At 31 December 2010	646,304	–	–	646,304

Notes:

(i) LED displays advertising right represents the operating right to operate outdoor advertising LED displays business in the PRC. The operating right was acquired through acquisition of the entire issued share capital of Precious Luck Enterprises Limited ("Precious Luck") during the year ended 31 December 2010.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 20 years.

(ii) Consultancy service contracts represent exclusive consultancy service agreements for media business obtained through the acquisition of the entire issued share capital of Bold Champion International Limited ("Bold Champion") on 25 March 2011.

The intangible asset is amortised on a straight-line basis over its estimated useful lives of 10 years according to the terms of the consultancy service contracts.

(iii) Other advertising right represents fees paid to obtaining the exclusive operating right for advertising billboards located on highways in Hebei Province, the PRC. Other advertising right is measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives of 10 years, less any impairment losses.

11. GOODWILL

	RMB'000
COST	
Arising on acquisition of a subsidiary	19,113
Exchange realignment	(650)
At 31 December 2011	18,463
CARRYING VALUE	
At 31 December 2011	18,463

Goodwill of RMB19,113,000 was arising on the acquisition of Bold Champion on 25 March 2011.

12. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**5,045**	15,668
Less: impairment loss recognised	**–**	(1,979)
	5,045	13,689
Other receivables	**1,838**	1,430
Less: impairment loss recognised	**(1,436)**	–
	402	1,430
Deposits and prepayments	**32,154**	7,770
	37,601	22,889

The Group allows an average credit period of 30 to 60 days (2010: 90 days) to its trade customers. The following is an aged analysis of trade receivables net of impairment losses presented based on the invoice date at the end of reporting period.

	2011	2010
	RMB'000	*RMB'000*
Within 30 days	**5,045**	3,752
31 to 60 days	**–**	3,513
61 to 90 days	**–**	4,111
91 to 180 days	**–**	2,313
	5,045	13,689

13. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**3,316**	6,082
Other payables and accruals	**7,076**	13,502
	10,392	19,584

The following is an aged analysis of trade payables presented based on the invoice date at end of the reporting period. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

	2011	2010
	RMB'000	*RMB'000*
Within 30 days	**–**	1,600
31 to 60 days	**3,316**	1,966
61 to 90 days	**–**	335
91 to 180 days	**–**	2,181
	3,316	6,082

The average credit period on purchases of goods ranged from 30 days to 60 days (2010: 90 to 180 days).

14. CONVERTIBLE LOAN NOTES

On 2 January 2010, the Company issued zero-coupon convertible loan notes with an aggregate principal amount of HK$756,000,000 (equivalent to approximately RMB659,262,000) (the "2010 Convertible Loan Notes") as partial settlement for the acquisition consideration of Precious Luck. The 2010 Convertible Loan Notes are denominated in HK$ and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2010 Convertible Loan Notes and their settlement date on 1 January 2015 at an initial conversion price of HK$0.519, subject to adjustments, per convertible loan note. If the 2010 Convertible Loan Notes have not been converted, it will be redeemed on 1 January 2015 at par.

The 2010 Convertible Loan Notes contain two components, liability and equity components. The equity component is presented in equity heading ("convertible loan notes equity reserve"). The effective interest rate of the liability component is 25% per annum.

The movement of the liability and equity components of the 2010 Convertible Loan Notes is set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Issue of convertible loan notes	216,027	443,235	659,262
Effective interest expenses	23,487	–	23,487
Conversion during the year	(160,157)	(338,358)	(498,515)
Exchange realignment	(6,228)	–	(6,228)
At 31 December 2010	73,129	104,877	178,006
Effective interest expenses	13,601	–	13,601
Conversion during the year	(62,765)	(75,977)	(138,742)
Exchange realignment	(5,995)	–	(5,995)
At 31 December 2011	17,970	28,900	46,870

On 23 June 2011, the Company issued 8% convertible loan notes with an aggregate principal amount of RMB25,000,000 (the "2011 Convertible Loan Notes"). The 2011 Convertible Loan Notes are denominated in RMB and entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the 2011 Convertible Loan Notes and their settlement date on 23 June 2011 at an initial conversion price of HK$0.49, subject to adjustments, per convertible loan note. If the 2011 Convertible Loan Notes have not been converted, it will be redeemed on 23 June 2013 at par. Interest of 8% per annum will be paid up until the settlement date.

The 2011 Convertible Loan Notes contain two components, liability component and conversion option derivative. The conversion option is classified as conversion option derivative as the 2011 Convertible Loan Notes will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments. The effective interest rate of the liability component is 25.26% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The movement of the liability component and conversion option derivative of the 2011 Convertible Loan Notes is set out below:

	Liability component *RMB'000*	**Conversion option derivative** *RMB'000*	**Total** *RMB'000*
Issue of convertible loan notes during the year	18,625	6,375	25,000
Imputed interest expenses	2,510	–	2,510
Interest paid during the year	(1,000)	–	(1,000)
Loss arising on changes of fair value	–	1,018	1,018
Exchange realignment	(402)	(146)	(548)
At 31 December 2011	19,733	7,247	26,980

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 December 2011, China Oriental Culture Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") recorded a turnover of approximately RMB58,169,000 (2010: approximately RMB30,970,000), representing an increase of 87.8% as compared to that of last year. Of these, turnover derived from advertising service income and consultancy service income were approximately RMB38,078,000 and RMB142,000 respectively (2010: nil). Turnover derived from sales of third party software and hardware was nil for the year ended 31 December 2011 (2010: approximately RMB13,800,000). The Group holds financial assets at fair value through profit or loss and had a turnover and segment loss amounted to approximately RMB19,949,000 (2010: approximately RMB17,170,000) and approximately RMB1,211,000 (2010: approximately RMB8,962,000) respectively during the year.

Administrative expenses for the year ended 31 December 2011 was approximately RMB67,411,000 (2010: approximately RMB36,888,000), representing an increase of 82.7% as compared to that of last year. The increase in expenses was mainly due to consultancy and professional fee related to the advertising media business.

The loss for the year attributable to owners of the Company aggregated at approximately RMB145,840,000 (2010: approximately RMB105,150,000). The basic loss per share for the year ended 31 December 2011 was RMB8.30 cents (2010: RMB8.50 cents).

Business Review

The Group is principally engaged in the provision of advertising and consultancy services in respect of placing advertisements on the outdoor billboards and LED screens of the Group to advertisers and advertising agencies.

China's advertising media business is expected to continue its rapid growth over the coming few years. The Group has embarked on the course of the advertising media business, which generated a tremendous improvement on the turnover. During the year ended 31 December 2011, the Group has revenue from the operation of outdoor advertising media on the external walls and roofs of renowned commercial buildings, roads and highway in Beijing and the advertising billboards located along Baojin Highway and Shihuang Highway in Heibei Province. Other than billboards, the operation of the outdoor mega LED displays located along the Olympic Axis at the main venues of the Olympic Games in Beijing and the four new mega LED displays situated at the South Square of the Shanghai North Railway Station generate revenue in the second half of the year.

Besides, segmental turnover and loss of the securities division were approximately RMB19,949,000 and RMB1,211,000 respectively. The loss recorded was mainly due to the loss of disposal of financial assets at fair value through profit or loss in the first 6 months of 2011. In view of the volatility in the securities trading market, the trading of securities has ceased since the second half of 2011.

Business Outlook

Having established a steady growth in outdoor advertising business, the Group will embark into a second phase of development. Following the completion of the acquisition of 98% shareholding in 北京柯瑞環宇傳媒文化有限公司 ("Kery Media"), the Group continues to diversify its business by engaging in developing its cross-media platform. The acquisition of Kery Media will give the Group a greater involvement in the PRC media business and provide an excellent opportunity to generate better revenues and profits.

The Group is optimistic about expanding other media resources and will take an active approach to seek opportunities to expand the Group's cross-media services. During the year, the Group has entered into the Acquisition Agreement to acquire the entire issued share capital of Sino Mind Holdings Limited ("Sino Mind"), which leads to the control of interests of 49% in 湖南廣電移動電視有限責任公司 (Hunan Mobile Television Company Limited*) ("Hunan Mobile TV") and 95% in 北京嘉華新廣文化傳媒有限公司 (Beijing Jia Hua Xin Guang Cultural Media Company Limited*) ("Beijing Jiahua"). The acquisition and the scope of business of Hunan Mobile TV would provide the Company with an unique opportunity to participate in terrestrial digital television industry (地面數字電視產業) and related business activities in the PRC with lucrative potential. The directors of the Company (the "Directors") are of the view that the acquisition provides synergies to the Group's existing capabilities in the outdoor advertising and TV drama production businesses in the PRC, and gives an excellent opportunity to the Group to expand its cross-media platform.

On the other hand, the Group has been granted an exclusive operating right of the advertising media of the weekly direct mail magazine《新乘坐》by 北京軌道傳媒廣告有限公司 which is distributed free of charge in the subway in Beijing. This weekly direct mail magazine has begun generating profits for the Company in the year 2012.

The Group intends to employ an active, steady and prudent manner in its development of cross-media platform. With the smooth progression of the Group's core businesses of advertising and media, all diversified cultural businesses under the Group's cross-media platform will benefit from unique synergy.

Advance to an Entity

On 10 July 2009, Smart Century Investment Limited, a wholly-owned subsidiary of the Company, provided financial assistance in the sum of HK$20,000,000 to Apex One Enterprises Limited ("Apex One"), a 49%-owned and affiliated company of the Company. The principal activity of Apex One is securities trading. For more details, please refer to the Company's announcements dated 10 July 2009 and 13 July 2009.

At 31 December 2011, the amount due from Apex One was approximately RMB10,843,000.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and the bank balances.

As at 31 December 2011, the Group had bank balances and cash of approximately RMB18,194,000 as compared to the bank balances and cash of approximately RMB41,657,000 as at 31 December 2010.

The Group's net current assets totalled approximately RMB26,534,000 as at 31 December 2011, against approximately RMB84,474,000 as at 31 December 2010. The Group's current ratio was approximately 1.66 as at 31 December 2011 as compared with 4.30 as at 31 December 2010.

Gearing Ratio

The gearing ratio of the Group (measured as total liabilities to total assets) was approximately 10.4% as at 31 December 2011 (2010: 12.6%).

Capital Structure

As at 31 December 2011, the Company's issued share capital was approximately HK$193,944,000 (2010: approximately HK$157,544,000) and the number of its issued ordinary shares was 1,939,435,768 shares of HK$0.10 each ("Shares").

During the year, the Company has issued 100,000,000 consideration shares at an issue price of HK$0.64 per share and 264,000,000 ordinary shares by means of conversion of convertible loan notes respectively.

Material Acquisitions and Disposals

Acquisition of 100% Equity Interests in Bold Champion International Limited ("Acquisition of Bold Champion")

On 11 February 2010, the Company, Champ Zone Limited (the purchaser and a wholly-owned subsidiary of the Company), Day Fortune Limited and Sure Choice Holdings Limited (the Vendors), and the guarantors entered into an acquisition agreement (the "Acquisition Agreement of Bold Champion") pursuant to which Champ Zone Limited conditionally agreed to acquire and the Vendors conditionally agreed to dispose of 100% of the issued and paid-up capital of Bold Champion International Limited.

On 3 March 2011, the contracting parties entered into the fourth supplemental agreement whereby all contracting parties agreed to adjust the consideration from HK$110 million (as initially agreed under the Acquisition Agreement of Bold Champion) to HK$80 million. The issue price for the consideration shares has been adjusted from HK$1.00 to HK$0.70 per share.

The consideration for the Acquisition of Bold Champion was satisfied by (i) cash consideration of HK$10,000,000 payable at completion of the Acquisition of Bold Champion; and (ii) issue and allotment of 100,000,000 consideration shares at the issue price of HK$0.70 per share by the Company to the Vendors or their respective nominees at completion of the Acquisition of Bold Champion.

On 25 March 2011, the Acquisition of Bold Champion was completed and 100,000,000 consideration shares at an issue price of HK$0.64 per share were allotted and issued to the Vendors. Details are set out in the announcement made by the Company dated 24 February 2010, 30 July 2010, 29 October 2010, 31 January 2011, 3 March 2011 and 25 March 2011.

Major Transaction in Relation to the Acquisition of the Entire Issued Share Capital of Sino Mind

On 24 November 2011, Top Succeed Holdings Limited (the purchaser and a wholly-owned subsidiary of the Company), the vendors and the guarantors entered into an acquisition agreement (the "Acquisition Agreement of Sino Mind") pursuant to which the purchaser conditionally agreed to acquire and the vendors conditionally agreed to dispose of 50,000 ordinary shares of Sino Mind to the purchaser at an aggregate total consideration of HK$218 million which shall be satisfied as to an aggregate amount of HK$30 million by cash within six months after completion and as to an aggregate amount of HK$188 million by the issue of the First Tranche Consideration Shares (being 400,000,000 consideration shares) at the issue price of HK$0.47 per consideration share upon completion. The total consideration is subject to upward adjustments by a maximum amount of HK$658 million upon fulfillment of the consideration adjustments which shall be satisfied by the further issue of (i) the Second Tranche Consideration Shares in an aggregate amount of HK$47 million (being 100,000,000 consideration shares) at the issue price of HK$0.47 per consideration share; and (ii) the convertible bonds in an aggregate principal amount of HK$611 million (convertible into 1,300,000,000 conversion shares) at the conversion price of HK$0.47 per conversion share. Accordingly, upon fulfilling the consideration adjustments, the maximum aggregate amount of the total consideration shall be adjusted upwards to an aggregate amount of HK$876 million.

Upon completion, Sino Mind will become an indirect wholly-owned subsidiary of the Company. The two main operating entities of the Sino Mind group comprise mainly the effective interests of 49% in Hunan Mobile TV and 95% in Beijing Jiahua hence, Hunan Mobile TV and Beijing Jiahua will become an indirect associated company and a non-wholly-owned subsidiary of the Company respectively upon completion.

As the applicable percentage ratios exceed 25% but are less than 100%, the Acquisition of Sino Mind constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

Details are set out in the announcement made by the Company dated 2 September 2011 and 24 November 2011.

Foreign Exchange Exposure

Substantially all of the business transactions of the Group are denominated in Renminbi and Hong Kong dollars. The Group adopts a conservative financial policy. As at 31 December 2011, the Group did not have any bank liabilities, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group is not exposed to any material interest and exchange risks.

Charges on Group Assets

As at 31 December 2011, the Group did not have any charges on its assets (2010: Nil).

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities (2010: Nil).

Capital Commitment

As at 31 December 2011, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Sino Mind Holdings Limited of HK$218,000,000 (equivalent to approximately RMB176,855,000).

As at 31 December 2010, the Group had outstanding capital commitment in respect of the acquisition of 100% of the issued and paid-up capital of Bold Champion International Limited of HK$74,000,000 (equivalent to approximately RMB62,671,000).

Events after the Reporting Period

Reset of Conversion Price of Convertible Bonds

In relation to an aggregate principal amount of RMB25,000,000 convertible bonds issued on 23 June 2011, on 3 January 2012, the Board announces the conversion price of the convertible bonds has been reset to HK$0.29 per share.

Employee Information and Remuneration Policy

As at 31 December 2011, the Group has 60 employees (2010: 69 employees) in Hong Kong and the PRC. The total staff cost is approximately RMB18,672,000 for the year ended 31 December 2011 (2010: approximately RMB19,723,000).

We offer competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, employees are eligible to receive a discretionary bonus taking into accounts factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate eligible employees, including the directors of the Company, the Company has adopted a share option scheme. The scheme enables eligible persons to obtain an ownership interest in the Company and thus motivates them to optimise their continuing contributions to the Group. As at 31 December 2011, there are 141,000,000 share options remained outstanding.

We are confident that our employees will continue to provide a firm foundation for the success of the Group and will maintain high standard of service to our clients.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the year, the Company has issued 100,000,000 consideration shares at an issue price of HK$0.64 per share and 264,000,000 ordinary shares by means of conversion of convertible loan notes respectively.

Save as disclosed herein, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2011, the Company has applied and complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except the following deviations.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the year ended 31 December 2011, the Company did not have a chairman or a chief executive officer. The Board will keep reviewing the current structure of the Board from time to time and should candidates with suitable knowledge, skill and experience be identified, the Company will make appointments to fill the posts as appropriate.

According to the code provision A.4.1 of the CG Code, all non-executive Directors should be appointed for a specific term of service.

Except for the independent non-executive Director appointed in January 2008 and resigned on 11 May 2011, namely Mr. Chow Shiu Ki, was not appointed for a specific term, the other four independent non-executive Directors namely Mr. Leung Siu Kee (appointed on 22 December 2009), Mr. Li Zhong (appointed on 29 April 2011), Mr. Zhao Yong (appointed on 20 September 2010) and Mr. Wu Xian (appointed on 1 October 2009 and resigned on 27 May 2011) were under three-year term of service. Ms. Ng Siu Lai, the non-executive Director, was appointed on 9 June 2011 for a three-year term of service. All the non-executive Directors (including the independent non-executive Directors) are appointed and subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by its Directors on terms no less exactly than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Following a specific enquiry, all Directors confirmed that they have complied with the required standards in the Model Code throughout the year ended 31 December 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently consists of all three independent nonexecutive Directors, namely, Mr. Leung Siu Kee, Mr. Zhao Yong and Mr. Li Zhong. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters.

The Audit Committee has reviewed the Group's audited consolidated financial statements and annual results for the year ended 31 December 2011 and has provided advice and comments thereon.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.chinaoc.com.hk. The Annual Report 2011 of the Company will also be published on the aforesaid websites in due course.

On behalf of the Board
China Oriental Culture Group Limited
Chen Fu Ju
Executive Director

Hong Kong, 29 March 2012

As at the date of this announcement, the Board comprises Mr. Chen Fu Ju, Mr. Li Qing and Mr. Yan Dake as executive Directors; Ms. Ng Siu Lai as non-executive Director; and Mr. Leung Siu Kee, Mr. Zhao Yong and Mr. Li Zhong as independent non-executive Directors.