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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: 00343)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The Board of Directors (the “Directors”) 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 2017 together with the comparative figures for the corresponding period of 2016 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended	
		30 September	
	<i>NOTES</i>	2017	2016
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	6,631	16,503
Cost of sales		(32,712)	(7,414)
Gross (loss) profit		(26,081)	9,089
Other income	4a	108	487
Other gain and losses, net	4b	345	(6,182)
Other operating expenses		(9,972)	(13,104)
Salaries and allowances		(6,817)	(9,135)
Operating lease rentals in respect of rental premises		(4,049)	(3,934)
Depreciation expenses		(544)	(724)
Share of losses of associates		—	(1,102)
Impairment loss on film right	10	(1,647)	—
Loss before tax		(48,657)	(24,605)
Income tax credit (expense)	6	14	(428)
Loss for the period	7	(48,643)	(25,033)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — CONTINUED

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Six months ended	
		30 September	
	<i>NOTE</i>	2017	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain (loss) on translation of financial statements of foreign operations		146	(1,013)
Reclassification of exchange loss on disposal of foreign operation		854	—
Other comprehensive income (expense) for the period		1,000	(1,013)
Total comprehensive expense for the period		(47,643)	(26,046)
Loss for the period attributable to:			
Owners of the Company		(46,198)	(21,212)
Non-controlling interests		(2,445)	(3,821)
		(48,643)	(25,033)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(44,992)	(22,208)
Non-controlling interests		(2,651)	(3,838)
		(47,643)	(26,046)
LOSS PER SHARE			
	9		
Basic (HK cents)		(3.3)	(1.7)
Diluted (HK cents)		(3.3)	(1.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2017

		30 September <i>NOTES</i> 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		2,545	2,029
Intangible assets		1,385	1,385
Film right and film production in progress	10	3,356	31,600
Deposits and prepayments		555	3,796
		<u>7,841</u>	<u>38,810</u>
Current assets			
Inventories		57,541	57,541
Trade receivables	11	2,591	3,125
Other receivables, deposits and prepayments	11	8,157	5,769
Held for trading investments		6,500	6,640
Bank balances and cash		246,376	263,532
		<u>321,165</u>	<u>336,607</u>
Current liabilities			
Trade payables	12	232	318
Other payables and accrued charges	12	8,411	10,644
Tax payable		—	435
		<u>8,643</u>	<u>11,397</u>
Net current assets		<u>312,522</u>	<u>325,210</u>
Total assets less current liabilities		320,363	364,020
Non-current liability			
Deferred tax liability		698	712
Net assets		<u><u>319,665</u></u>	<u><u>363,308</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — CONTINUED
AT 30 SEPTEMBER 2017

	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Capital and reserves		
Share capital	13,907	13,907
Share premium and reserves	313,555	354,816
Equity attributable to owners of the Company	327,462	368,723
Non-controlling interests	(7,797)	(5,415)
Total equity	319,665	363,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

In addition, the Group has applied the following accounting policy which became applicable during the interim period:

Film rights

Film rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for the film rights is changed so as to write off the cost of the asset based on usage by way of various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement, which are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014 — 2016 Cycle

The application of those amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, include both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. REVENUE

Revenue represents the net amount received and receivable for goods sold and service provided by the Group, after returns, trade discounts and allowances, and is analysed as follows:

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Publishing and intellectual properties licensing	4,315	5,387
Online and social business (<i>Note</i>)	1,160	9,085
Retailing and wholesales	—	805
Catering	1,156	1,226
	6,631	16,503

Note: During the six months period ended 30 September 2016, the Group recognised revenue from sales of bitcoins, considered as virtual inventories by the directors of the Company, of HK\$8,127,000 (six months ended 30 September 2017: Nil). No bitcoins was held by the Group at 30 September 2017 and 31 March 2017.

4a. OTHER INCOME

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income	55	98
Sundry income	53	389
	108	487

4b. OTHER GAIN AND LOSSES, NET

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net foreign exchange gain (loss)	733	(545)
(Loss) gain on fair value change of held for trading investments	(140)	487
Impairment loss on trade receivables	(421)	—
Reversal of impairment (impairment loss) on other receivables (<i>Note</i>)	1,021	(1,655)
Loss on disposal of subsidiary (<i>Note 13</i>)	(848)	—
Impairment loss on property, plant and equipment	—	(4,469)
	<u>345</u>	<u>(6,182)</u>

Note: During the six months period ended 30 September 2016, impairment loss of HK\$1,655,000 on other receivables was recognised in profit or loss. The amount had not been settled in accordance with the repayment terms. The directors of the Company determined that the recoverability of these receivables was remote and hence full impairment loss had been recognised.

During the six months period ended 30 September 2017, reversal of impairment loss of HK\$1,021,000 (six months ended 30 September 2016: Nil) on other receivables was recognised in profit or loss upon recovery of the amount.

5. SEGMENT INFORMATION

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

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

- Publishing and intellectual properties licensing: publication of comic books and royalty income from licensing intellectual properties of comic books.
- Online and social business: operating online social platform by providing music and online games, sales of virtual inventories, design and develop mobile applications, operation of digital cinema and film production.
- Retailing and wholesales: retailing of wine and mobile phones in Hong Kong and Macau.
- Catering: catering services in Macau.

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

5. SEGMENT INFORMATION — continued

Segment revenue and results

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

For the period ended 30 September 2017 (unaudited)

	Publishing and intellectual properties licensing HK\$'000	Online and social business HK\$'000	Retailing and wholesales HK\$'000 (Note)	Catering HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue						
External sales	4,315	1,160	—	1,156	—	6,631
Inter-segment sales	—	—	—	—	—	—
	<u>4,315</u>	<u>1,160</u>	<u>—</u>	<u>1,156</u>	<u>—</u>	<u>6,631</u>
Segment results	10	(36,925)	(1,021)	(1,141)	—	(39,077)
Unallocated expenses						(9,625)
Unallocated incomes						<u>45</u>
Loss before tax						<u><u>(48,657)</u></u>

Note: Wines with a carrying amount of HK\$56,761,000 (31 March 2017: HK\$56,761,000) were held by the Group as at 30 September 2017.

For the period ended 30 September 2016 (unaudited)

	Publishing and intellectual properties licensing HK\$'000	Online and social business HK\$'000	Retailing and wholesales HK\$'000	Catering HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Revenue						
External sales	5,387	9,085	805	1,226	—	16,503
Inter-segment sales	—	—	14	—	(14)	—
	<u>5,387</u>	<u>9,085</u>	<u>819</u>	<u>1,226</u>	<u>(14)</u>	<u>16,503</u>
Segment results	3,035	(11,428)	(2,114)	(894)	—	(11,401)
Unallocated expenses						(14,080)
Unallocated incomes						<u>876</u>
Loss before tax						<u><u>(24,605)</u></u>

5. SEGMENT INFORMATION — continued

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

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

6. INCOME TAX CREDIT (EXPENSE)

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

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Income tax credit (expense) comprises:		
Current tax		
– Hong Kong Profits Tax	—	(501)
Deferred tax		
– Deferred tax credit	14	73
Income tax credit (expense)	<u>14</u>	<u>(428)</u>

7. LOSS FOR THE PERIOD

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

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of film right (included in cost of sales) (Note 10)	29,405	—
Staff costs, including directors' emoluments	8,775	12,922
Depreciation of property, plant and equipment	544	1,404
Cost incurred for online platform maintenance (Note)	<u>950</u>	<u>1,078</u>

7. LOSS FOR THE PERIOD — continued

Note: During the six months period ended 30 September 2017, expenditures incurred mainly for platform improvement and maintenance in relation to game and mobile applications developed by the Group, amounting approximately to HK\$950,000 (six months ended 30 September 2016: HK\$1,078,000) in aggregate, are expensed when they are incurred for maintaining the operation of the platform and are included in cost of sales.

8. DIVIDEND

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

9. LOSS PER SHARE

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

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(46,198)</u>	<u>(21,212)</u>
Number of shares	2017	2016
	'000	'000
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>1,390,657</u>	<u>1,227,972</u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding warrants and share options since their assumed exercise would result in a decrease in loss per share.

10. FILM RIGHT AND FILM PRODUCTION IN PROGRESS

Film production in progress of HK\$1,736,000 (31 March 2017: HK\$1,736,000) represented film rights in production which are wholly owned by the Group.

Film right of HK\$1,620,000 (31 March 2017: HK\$29,864,000) represented interest in film rights jointly controlled by the Group and by an independent third party in the PRC. During the current interim period, the Group recognised amortisation of HK\$29,405,000 (six months ended 30 September 2016: Nil) on the completion of the film's theatrical release in the PRC. Due to unsatisfactory result of its box office and the uncertain future return of the film, the directors of the Company conducted a review on the recoverable amounts of the film right. The recoverable amounts of the film right as at 30 September 2017 have been determined on the basis of their value in use which was determined based on the present value of the estimated future cash flows expected to be generated by the film right. During the current interim period, an impairment loss of HK\$1,647,000 (six months ended 30 September 2016: Nil) has been recognised in the condensed consolidated financial statements.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

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

	30 September 2017 HK\$'000 (unaudited)	31 March 2017 HK\$'000 (audited)
0 — 60 days	1,668	1,588
61 — 90 days	458	318
91 — 180 days	412	752
Over 180 days	53	467
	<u>2,591</u>	<u>3,125</u>

Trade receivables are interest-free and unsecured.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS — continued

(b) Other receivables, deposits and prepayments

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
Other receivables	4,987	4,275
Deposits and prepayments	<u>3,725</u>	<u>5,290</u>
Total other receivables, deposits and prepayments	8,712	9,565
Less: Amount that will be settled or utilised for more than one year	<u>(555)</u>	<u>(3,796)</u>
Amounts that will be settled or utilised within one year	<u><u>8,157</u></u>	<u><u>5,769</u></u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	30 September 2017 <i>HK\$'000</i> (unaudited)	31 March 2017 <i>HK\$'000</i> (audited)
0 — 60 days	200	287
61 — 90 days	1	—
Over 90 days	<u>31</u>	<u>31</u>
	<u><u>232</u></u>	<u><u>318</u></u>

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

Other payables and accrued charges mainly represent the payable balance of expenses and cost incurred for online platform maintenance at 30 September 2017 and 31 March 2017.

13. DISPOSAL OF SUBSIDIARY

Disposal of Success Dynasty Limited (“Success Dynasty”) and its subsidiary

On 18 September 2017, the Group entered into an agreement to dispose of its wholly owned subsidiary, Success Dynasty Limited and its subsidiary (collectively referred to as the “Success Group”) to an independent third party, for a cash consideration of US\$250,000 (equivalent to approximately HK\$1,950,000). Success Dynasty is an investment holding company with a subsidiary engaged in crude oil exploration services business. The transaction was completed on 18 September 2017, the date which the control of the Success Group has been passed to the independent third party.

The Group’s share of net asset of the Success Group at the date of disposal and the effect of disposal were as follows:

HK\$’000

Consideration receivable:

Cash consideration (included in other receivables)	1,950
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Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	39
Bank balances and cash	1,905

Net assets disposed of	1,944
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Loss on disposal of subsidiaries:

Consideration received	1,950
Net assets disposed of	(1,944)
Reclassification of exchange loss on disposal	(854)

Loss on disposal	(848)
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Net cash outflow arising on disposal:

Bank balances and cash disposed of	(1,905)
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The Success Group contributed loss of HK\$737,000 (six months ended 30 September 2016: HK\$938,000) to the Group during the period ended 30 September 2017. No tax charge or credit arose on loss on the disposal.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the period ended 30 September 2017, the Group's overall turnover decreased by approximately 59.8% to HK\$6,631,000 of which approximately HK\$4,315,000, HK\$1,160,000, HK\$Nil and HK\$1,156,000 (30 September 2016: HK\$5,387,000, HK\$9,085,000, HK\$805,000 and HK\$1,226,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, retailing and wholesales and catering respectively.

The Group's consolidated net loss attributable to the owners of the Company in 2017 increased by 117.8% to HK\$46,198,000 or 94.1% to HK3.3 cents per share (30 September 2016: loss of HK\$21,212,000 or HK1.7 cents per share). This was mainly due to the amortization of film right of HK\$29,405,000 which was included in cost of sales and an impairment loss on film right of HK\$1,647,000 offsetting by decrease in salaries and allowances and other operating expenses during the period ended 30 September 2017.

Also, as at 30 September 2017, the Group's net asset value was approximately HK\$319,665,000 and net asset value per weighted average number of 1,390,657,000 shares of the Company was approximately HK\$0.23 (31 March 2017: HK\$0.28).

WARRANTS

2017 Warrants

On 20 July 2012, the Company proposed to enter into a warrant subscription agreement in relation to the private placing of up to 76,790,000 warrants (the "2017 Warrants") by the warrant subscribers, at the warrant issue price of HK\$0.10 per warrant. The net proceeds from the warrant subscription of approximately HK\$7,492,000 were used as the general working capital of the Group.

The non-listed warrants were issued by the Company at the warrant issue price to subscribe for an aggregate of HK\$92,148,000 in shares, each entitles the holder thereof to exercise the right to subscribe for one new share at the warrant subscription price of HK\$1.20 (subject to adjustment) at any time during a period of five (5) years commencing from the date of issue of warrants. The placing of the warrant subscription was completed on 2 August 2012.

During the period ended 30 September 2017, no registered holders of the 2017 Warrants exercised their rights to subscribe for shares in the Company. At as 30 September 2017, the Company had no outstanding units of the 2017 Warrants as all the remaining 44,710,000 units of 2017 Warrants were expired.

DISPOSAL OF SUBSIDIARIES

On 20 April 2017, the Group entered into an agreement to dispose of the 5% shareholding of its wholly owned subsidiary, SNIIC Holdings Limited and its subsidiaries, to an independent third party, for a cash consideration of HK\$2,800,000.

On 5 May 2017, the Group entered into an agreement to dispose of the 20% shareholding of its subsidiary, 廣州東一動漫影視製作有限公司 to an independent third party, for a cash consideration of HK\$1,200,000.

On 18 September 2017, the Group entered into an agreement to dispose of its wholly owned subsidiary, Success Dynasty Limited and its subsidiary to an independent third party, for a cash consideration of US\$250,000 (equivalent to approximately HK\$1,950,000). The transaction was completed on 18 September 2017, the date which the control of Success Dynasty Limited has been passed to the independent third party.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 September 2017, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$246,376,000 and held for trading investments of approximately HK\$6,500,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As of 30 September 2017, the Group had a net current assets of approximately HK\$312,522,000 (31 March 2017: HK\$325,210,000) and a current ratio of 37.16 (31 March 2017: 29.5). The Group's total liabilities as of 30 September 2017 amounted to approximately HK\$9,341,000 (31 March 2017: HK\$12,109,000) and represented approximately 2.9% (31 March 2017: 3.3%) to equity attributable to owners of the Company.

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

EMPLOYMENT AND REMUNERATION POLICIES

As of 30 September 2017, the Group had a total of 72 employees of which 30 are based in Hong Kong, 18 in Macau and 24 in the PRC. Total staff costs incurred during the six months ended 30 September 2017 amounted to approximately HK\$8,775,000 (30 September 2016: HK\$12,922,000). 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

During the first half of the year, the Group's intellectual properties ("IP") licensing business of comics' titles recorded a slowdown. Going forward, the Group will continue to take proactive measures in the development of this business segment. In addition to licensing more from other popular comics' IP, we will also reach out for other potential comics' titles in a hope to further vitalise the Company's comic resources, expand the scope of licensing and introduce more IP operation management.

During the first half of the year, as the Group adopted a conservative strategy, the revenue from online and social businesses experienced a significant drop. Given the uncertainties from the development of mobile internet technology, the management adopted a prudent strategy while looking for better development opportunities.

In terms of our cultural and entertainment businesses, the theatre multiplexes in Western Guangdong maintained a steady revenue. Since numerous big-budget movies were released in the same period of the summer holidays, the screening of movies among theatre multiplexes was highly competitive that the football movie – “誰是球王 (On The Pitch)” jointly produced by the Group recorded a poor box office that led to an amortization and impairment loss.

PROSPECTS

Looking into the future, the Group will concentrate on our IP licensing business, while maintaining its publishing, cultural and entertainment businesses, and drive the business development of the above segments with mobile internet technology.

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 2017.

AUDIT COMMITTEE

The Audit Committee of the Company, with written terms of reference in line with the code provision 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 of two Independent Non-executive Directors, namely Mr. Lai Qiang and Mr. Fan Chun Wah Andrew. Following the retirement of Mr. Joseph Lee Chennault on 22 August 2017, the Company comprises of two Audit Committee members, the number of which fell below the minimum number required under rules 3.21 of the Listing Rules. The Board will commence a process to identify replacement so as to fulfill the requirement, as set out in rules 3.21 of the Listing Rules, and in the respective terms of reference of Audit Committee of the Board as regards to the minimum of members.

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 2017.

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 2017 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. Mr. Chu Bong Foo has resigned as the Chairman and Non-executive Director of the Board of the Company on 29 December 2016 and the vacancy was not filled before the Company's annual general meeting held on 22 August 2017. 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.

The Company will arrange for the election of the new Chairman of the Board as soon as practicable in order to fill up the vacancy left due to Mr. Chu Bong Foo's resignation as Chairman.

MINIMUM NUMBERS OF AUDIT COMMITTEE MEMBERS

Following the retirement of Mr. Joseph Lee Chennault on 22 August 2017, the Company comprises of two Audit Committee members, Mr. Lai Qiang and Mr. Fan Chun Wah Andrew, the number of which fell below the minimum number required under rules 3.21 of the Listing Rules.

The Board will commence a process to identify replacement so as to fulfill the requirements as set out in rules 3.21 of the Listing rules, and in the respective terms of reference of the Audit Committee of the Board as regards the minimum of members. The Company will mark further announcement as and when appropriate.

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 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.culturecom.com.hk. The interim report will be despatched to the shareholders of the Company and will be published on the above websites in due course.

By Order of the Board
CULTURECOM HOLDINGS LIMITED
KWAN KIN CHUNG
Managing Director

Hong Kong, 29 November 2017

At as the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being Vice Chairman and Executive Director); Mr. Kwan Kin Chung, Mr. Yuen Kin, Mr. Tang Kwing Chuen Kenneth and Mr. Chen Man Lung (all being Executive Directors); Mr. Fan Chun Wah Andrew, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-executive Directors).

** for identification purposes only*