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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)

(Warrant Code: 01453)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

RESULTS

The Board of Directors (the “Directors”) of Culturecom Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016 together with the comparative figures for the corresponding year of 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *FOR THE YEAR ENDED 31 MARCH 2016*

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Revenue	3	27,792	24,891
Cost of sales		(15,948)	(22,251)
Gross profit		11,844	2,640
Other income	4a	786	684
Other gains and losses	4b	(3,692)	(8,911)
Other operating expenses		(25,590)	(53,146)
Salaries and allowances		(24,219)	(34,506)
Operating lease rentals in respect of rented premises		(9,015)	(8,256)
Depreciation and amortisation expenses		(2,415)	(3,642)
Share of losses of associates		(1,349)	(2,005)
Cost incurred for online platform maintenance	6	(7,553)	(9,977)
Loss before tax	7	(61,203)	(117,119)
Income tax expense	8	(294)	(3,130)
Loss for the year		(61,497)	(120,249)

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		<u>(1,594)</u>	<u>(4,136)</u>
Other comprehensive expense for the year		<u>(1,594)</u>	<u>(4,136)</u>
Total comprehensive expense for the year		<u>(63,091)</u>	<u>(124,385)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(58,078)</u>	(115,684)
Non-controlling interests		<u>(3,419)</u>	<u>(4,565)</u>
		<u>(61,497)</u>	<u>(120,249)</u>
Total comprehensive expense attributable to:			
Owners of the Company		<u>(59,500)</u>	(119,819)
Non-controlling interests		<u>(3,591)</u>	<u>(4,566)</u>
		<u>(63,091)</u>	<u>(124,385)</u>
Loss per share	10		
Basic (HK cents)		<u>(4.8)</u>	<u>(9.9)</u>
Diluted (HK cents)		<u>(4.8)</u>	<u>(9.9)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2016

	<i>Notes</i>	2016 HK\$'000	2015 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment		8,946	14,785
Interests in associates		33,828	38,180
Intangible assets		1,385	1,385
Available-for-sale financial asset		–	2
Deposits and prepayments	12	1,645	–
		<u>45,804</u>	<u>54,352</u>
Current assets			
Inventories		61,978	67,457
Trade receivables	11	3,845	2,886
Other receivables, deposits and prepayments	12	16,962	21,076
Amounts due from associates		–	57
Loans to an associate		–	1,190
Tax recoverable		–	142
Held for trading investments		6,304	7,305
Bank balances and cash		130,501	138,818
		<u>219,590</u>	<u>238,931</u>
Current liabilities			
Trade payables	13	242	287
Other payables and accrued charges		18,149	24,822
Tax payable		363	–
		<u>18,754</u>	<u>25,109</u>
Net current assets		<u>200,836</u>	<u>213,822</u>
Total assets less current liabilities		<u>246,640</u>	<u>268,174</u>
Non-current liability			
Deferred tax liability		784	942
Net assets		<u>245,856</u>	<u>267,232</u>
Capital and reserves			
Share capital		12,142	11,738
Reserves		254,278	273,246
Equity attributable to owners of the Company		266,420	284,984
Non-controlling interests		(20,564)	(17,752)
Total equity		<u>245,856</u>	<u>267,232</u>

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 Accountants (“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 disclosure requirements of 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 at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

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

	2016 <i>HK\$’000</i>	2015 <i>HK\$’000</i>
Publishing and intellectual properties licensing	16,140	10,618
Retailing and wholesales	1,976	3,562
Online and social business	6,725	7,217
Catering	2,951	3,494
	<u>27,792</u>	<u>24,891</u>

4a. OTHER INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income	190	277
Dividend received from listed equity securities	22	45
Sundry income	574	362
	<u>786</u>	<u>684</u>

4b. OTHER GAINS AND LOSSES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Impairment losses on other receivables and deposits (<i>Note</i>)	(4,932)	(36)
Recovery of impairment loss on trade receivables	–	5,818
Net foreign exchange loss	(606)	(432)
Allowance for doubtful debts	(26)	(633)
Gain on disposal of held for trading investments	24	–
Gain on disposal of property, plant and equipment	5,614	–
Written off of property, plant and equipment	(162)	–
Impairment loss on loans to an associate	(1,190)	(3,260)
Impairment loss on goodwill	–	(2,796)
Loss on fair value change of held for trading investments	(66)	(7,572)
Loss on disposal of subsidiaries (<i>note 9</i>)	(2,348)	–
	<u>(3,692)</u>	<u>(8,911)</u>

Note: During the year ended 31 March 2016, impairment losses of HK\$4,832,000 (2015: nil) on other receivables had been recognised in profit or loss. The amount has 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.

5. SEGMENT INFORMATION

Information reported to the executive directors, 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 chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 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, design and develop mobile applications and operation of digital cinema.

- Retailing and wholesales: retailing of wine and mobile phones in Hong Kong and Macau and wholesales of insulation materials in Japan.
- Catering: catering services in Macau

No material changes in the composition of the Group's reportable and operating segments for the year ended 31 March 2016.

Segment revenue and results

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

For the year ended 31 March 2016

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>16,140</u>	<u>6,725</u>	<u>1,976</u>	<u>2,951</u>	<u>27,792</u>
Segment results	<u>13,538</u>	<u>(29,916)</u>	<u>(13,927)</u>	<u>(2,634)</u>	(32,939)
Unallocated expenses					(28,384)
Unallocated incomes					<u>120</u>
Loss before tax					<u>(61,203)</u>

For the year ended 31 March 2015

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue	<u>10,618</u>	<u>7,217</u>	<u>3,562</u>	<u>3,494</u>	<u>24,891</u>
Segment results	<u>(1,581)</u>	<u>(57,749)</u>	<u>(8,794)</u>	<u>(1,331)</u>	(69,455)
Unallocated expenses					(47,872)
Unallocated incomes					<u>208</u>
Loss before tax					<u>(117,119)</u>

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

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

Other segment information

For the year ended 31 March 2016

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts regularly provided to the CODM:						
Addition to non-current assets (<i>Note</i>)	-	458	29	2	17	506
Amounts included in the measure of segment profit or loss:						
Depreciation of property, plant and equipment	151	1,977	520	37	437	3,122
Allowance for inventories	69	439	3,957	-	-	4,465
Impairment losses on other receivables	-	248	4,584	-	-	4,832
Impairment loss on loans to an associate	-	1,190	-	-	-	1,190
Written off of property, plant and equipment	-	41	121	-	-	162
Cost incurred for online platform maintenance	-	7,553	-	-	-	7,553
Other advertising and promotional expenses	17	151	2	-	18	188
Consultancy and professional fee	781	3,390	738	92	2,574	7,575

For the year ended 31 March 2015

	Publishing and intellectual properties licensing <i>HK\$'000</i>	Online and social business <i>HK\$'000</i>	Retailing and wholesales <i>HK\$'000</i>	Catering <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts regularly provided to the CODM:						
Addition to non-current assets (<i>Note</i>)	21	744	890	57	19	1,731
Amounts included in the measure of segment profit or loss:						
Depreciation of property, plant and equipment	216	1,938	88	66	544	2,852
Allowance for inventories	–	3,915	2,632	–	–	6,547
Amortisation of intangible assets	1,264	–	256	–	–	1,520
Impairment loss on loans to an associate	–	3,260	–	–	–	3,260
Impairment loss on goodwill	2,796	–	–	–	–	2,796
Cost incurred for online platform maintenance	–	9,977	–	–	–	9,977
Other advertising and promotional expenses	214	2,194	649	–	183	3,240
Consultancy and professional fee	1,975	10,909	1,909	–	3,595	18,388
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Non-current assets excluded interests in associates.

Geographic information

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

Information about the Group's revenue from external customers is presented based on the location of goods physically delivered to or location of services provided to the customers and information about its non-current assets is based on geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Restated)
Hong Kong (place of domicile)	17,059	14,469	39,873	46,632
The PRC	6,658	4,441	5,362	6,072
Macau	4,075	3,721	569	1,516
Japan	–	2,260	–	130
	<u>27,792</u>	<u>24,891</u>	<u>45,804</u>	<u>54,350</u>

Note: Non-current assets excluded available-for-sale financial asset.

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A ¹	N/A ²	2,679
Customer B ¹	3,740	5,618

¹ Revenue from publishing and intellectual properties licensing segment.

² The corresponding revenue does not contribute over 10% of the total sales of the Group.

Revenue from major products and services

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

	2016 HK\$'000	2015 HK\$'000
Comic books	4,775	4,386
Mobile phones	–	1,048
Insulation materials	–	2,260
Royalty income	11,340	6,210
Digital cinema operation	6,658	4,441
Catering service	2,951	3,494
Others	2,068	3,052
	<u>27,792</u>	<u>24,891</u>

6. COST INCURRED FOR ONLINE PLATFORM MAINTENANCE

Expenditures incurred mainly include platform improvement and maintenance in relation to game applications developed by the Group amounting to approximately HK\$7,553,000 (2015: HK\$9,977,000) in aggregate are expensed when they are incurred for maintaining the operation of the platform.

7. LOSS BEFORE TAX

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss before income tax has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	7,098	9,490
Other staff costs:		
– Retirement benefits schemes contributions	476	716
– Salaries and other benefits	23,743	33,790
	<u>31,317</u>	<u>43,996</u>
Auditor's remuneration	2,130	2,487
Depreciation of property, plant and equipment included in cost of sales	707	730
Consultancy and professional fee (included in other operating expenses) (<i>Note</i>)	7,575	18,388
Cost of inventories recognised as expenses (including allowance for inventories of HK\$4,465,000 (2015: HK\$6,547,000))	15,948	22,251
Allowance for doubtful debts	26	633
Share-based payment expenses (included in other operating expenses) (<i>Note</i>)	–	6,912
	<u>–</u>	<u>6,912</u>

Note: The amounts represent fees paid to consultants providing professional advices on business operations.

8. INCOME TAX EXPENSE

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

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for both years. 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. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2016	2015
	HK\$'000	HK\$'000
Income tax (expense) credit comprises:		
Current tax		
– Hong Kong	(363)	–
– PRC EIT	(89)	130
Deferred tax		
– Deferred tax credit (expense)	158	(3,260)
Income tax expenses	(294)	(3,130)

9. DISPOSAL OF SUBSIDIARIES

On 2 July 2015, the Group entered into an agreement to dispose of its wholly owned subsidiary, Culture.com Technology (BVI) Limited ("Culture.com (BVI)" or "Disposal Group") and its subsidiaries to an independent third party, for a cash consideration of HK\$1,000,000. Culture.com (BVI)'s principal activity was investment holding while the remaining subsidiaries were dormant. The transaction was completed on 31 July 2015, the date which the control of Culture.com (BVI) has been passed to the independent third party.

The Group's share of net assets of Culture.com (BVI) on the date of disposal and the effect of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Bank balances and cash	236
Interests in associates	2,996
Available-for-sale financial asset	2
Other receivables, deposit and prepayments	208
Other payables	(81)
	<u>3,361</u>
Non-controlling interests	(13)
Loss on disposal of subsidiaries	(2,348)
	<u>(2,348)</u>
Total consideration	<u><u>1,000</u></u>
Satisfied by:	
Cash	<u><u>1,000</u></u>
Net cash inflow arising on disposal:	
Cash received	1,000
Less: Bank balances and cash disposed of	(236)
	<u>764</u>

The Disposal Group contributed no revenue to the Group during the year ended 31 March 2016. No tax charge or credit arose on loss on disposal.

10. LOSS PER SHARE

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><u>(58,078)</u></u>	<u><u>(115,684)</u></u>

	2016 <i>'000</i>	2015 <i>'000</i>
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>1,200,792</u>	<u>1,172,252</u>

The denominators used are the same as those detailed above for basic and diluted loss per share.

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.

11. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	4,889	3,904
Less: allowance for doubtful debts	<u>(1,044)</u>	<u>(1,018)</u>
	<u>3,845</u>	<u>2,886</u>

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 respectively. 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 60 days	2,326	1,972
61 – 90 days	107	123
91 – 180 days	1,351	638
Over 180 days	<u>61</u>	<u>153</u>
	<u>3,845</u>	<u>2,886</u>

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other receivables	4,845	7,160
Deposits and prepayments	<u>13,762</u>	<u>13,916</u>
Total other receivables, deposits and prepayments	18,607	21,076
Less: Amounts that will be settled or utilized within one year	<u>(16,962)</u>	<u>(21,076)</u>
Amount that will be utilized for more than one year	<u><u>1,645</u></u>	<u><u>–</u></u>

13. TRADE PAYABLES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 60 days	211	274
61 – 90 days	–	–
Over 90 days	<u>31</u>	<u>13</u>
	<u><u>242</u></u>	<u><u>287</u></u>

14. RESTATEMENT OF COMPARATIVE FIGURES

Other than as disclosed in note 7, certain comparative figures in the consolidated statement of profit or loss and other comprehensive income have been presented by classifying expenses by nature as allocating certain expenses by functions may require arbitrary allocations.

The presentation of consolidated statement of financial position changed this year with various reclassifications to reflect better the operation of the Group.

DIVIDEND

No dividend was paid or proposed during the year of 2016 and 2015, nor has any dividend been proposed since the end of reporting year.

FINANCIAL RESULTS

For the year ended 31 March 2016, the Group's overall turnover increased by approximately 11.7% to HK\$27,792,000 of which approximately HK\$16,140,000, HK\$6,725,000, HK\$1,976,000 and HK\$2,951,000 (31 March 2015: HK\$10,618,000, HK\$7,217,000, HK\$3,562,000 and HK\$3,494,000) were attributable to our business of publishing and intellectual properties licensing, online and social business, retailing and wholesales and catering.

The Group's consolidated net loss attributable to the owners of the Company in 2016 decreased significantly by 49.8% to HK\$58,078,000 or 51.5% to HK4.8 cents per share (31 March 2015: loss of HK\$115,684,000 or HK9.9 cents per share). This was mainly due to the lower cost related to online platform maintenance and decrease in staff cost, consultancy and professional fee and loss on fair value change of held for trading investments during the year.

Also, as at 31 March 2016, the Group's net asset value was approximately HK\$245,856,000 and net asset value per weighted average number of 1,200,792,000 shares of the Company was approximately HK\$0.20 (31 March 2015: HK\$0.23).

WARRANTS

2017 Warrants

On 20 July 2012, the Company entered 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\$7,494,000 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 there of 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 year, the non-listed warrants holders of 20,000,000 units of the 2017 Warrants exercised their rights to subscribe for 20,000,000 shares in the Company at an exercise price of HK\$1.20 per share. At as 31 March 2016, the Company had outstanding 56,790,000 units of the 2017 Warrants.

2016 Warrants

On 30 July 2014, the Company entered into a placing agreement with an independent placing agent in relation to the private placing of up to 157,500,000 warrants (the “2016 Warrants”), with subscription price of HK\$0.16, conferring rights to subscribe for up to 157,500,000 new ordinary shares of the Company at an exercise price of HK\$0.75 per share, to not less than 300 placees who are independent third parties, which are exercisable during the two years from 22 September 2014 to 21 September 2016, both days inclusive. The placing of the 2016 Warrants was completed on 19 September 2014 and was classified as equity instruments.

The proceeds from the placing of approximately HK\$23,821,000, net of expenses incurred on warrants issue amounting HK\$1,379,000, were used as general working capital of the Company.

For the year ended 31 March 2016, registered holders of 20,385,000 units of the 2016 Warrants exercised their right to subscribe for 20,385,000 shares in the company at an exercise price of HK\$0.75 per share. As at 31 March 2016, the Company had outstanding 134,955,000 units of the 2016 Warrants.

DISPOSAL OF SUBSIDIARIES

On 2 July 2015, the Group entered into an agreement to dispose of its wholly owned subsidiary, Culture.com Technology (BVI) Limited and its subsidiaries to an independent third party, for a cash consideration of HK\$1,000,000. The transaction was completed on 31 July 2015, the date which the control of Culture.com Technology (BVI) Limited has been passed to the independent third party.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had bank and deposits with financial institutions balances in aggregate of approximately HK\$130,501,000 and held for trading investments of approximately HK\$6,304,000. The Group has no significant exposure to foreign exchange rate fluctuation.

As at 31 March 2016, the Group had a net current asset of approximately HK\$200,836,000 (31 March 2015: HK\$213,822,000) and a current ratio of 11.7 (31 March 2015: 9.5). The Group’s total liabilities as of 31 March 2016 amounted to approximately HK\$19,538,000 (31 March 2015: HK\$26,051,000) and represented approximately 7.3% (31 March 2015: 9.1%) 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 31 March 2016, the Group had a total of 124 employees of which 50 are based in Hong Kong, 27 in Macau and 47 in PRC. Total staff costs incurred during the year amounted to approximately HK\$31,317,000 (31 March 2015: HK\$43,996,000). 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 year, we have achieved considerable growth in the intellectual properties licensing business of our comics titles, both in revenues and in gross profits. Due to the booming demand in the intellectual properties market in mainland China and the enhancement of intellectual properties protection laws from the China Government, the management believe that this market is potentially huge and adopted flexible strategies by opening up and start franchising our comics titles to different market segments, including movies, televisions, mobile games, other multimedia products and merchandises.

At the same time, we also recognize that the intellectual properties licensing business of our comics titles have flourished in recent years. Therefore we ought to extend the existing licensing model to better management, integration and operation through investment and cooperation. In addition, we also ought to increase the market coverage of the intellectual properties licensing business to other areas in order that the Company could obtain extra business opportunities for the intellectual properties licensing business.

Furthermore, we have been committed to seek for investment opportunities throughout the year. One of our potential investment projects is a sports genre corporation operating in mainland China and Macau with successful operations in intellectual properties licensing business. This company is experienced and knowledgeable and occupies an important position in the licensing market, which is in line with our expanding business model and innovative industrial development. This synergy intellectual properties will not only help us retain our competitiveness but also consolidate our position in the intellectual properties licensing industry, establish network and customer basis in mainland China and finally also benefit the further penetration of our comics titles in mainland China.

PROSPECT

In the near future, mainland China will strive to develop its cultural industry and the enthusiasm for intellectual properties licensing business will therefore rise. Thus, we will strengthen the development of our intellectual properties business while maintaining steady growth of our other business segments. In addition to taking full advantage of our comics titles, we will also introduce more international intellectual properties copyrights and expand to different copyright areas. With the recognition of Hong Kong's role as an international cultural center and intellectual properties licensing business hub, we will seek for additional investment opportunities through cooperation with different partners, in order to build up the Company as an integrated developing corporation for its strong management, licensing and operation of intellectual properties business.

With the future business development, we will also bring in robust potential investors to expand the basis of our strategic partners and increase the Company's financial resources. Meanwhile, with the practical experiences, business connections and market networks of the Potential investors and their presence in the mainland China market, we will seek to increase the coverage of our intellectual properties licensing business from local comic books to diversify into such areas as cultural, entertainment and media, and sports genre markets.

CLOSURE OF REGISTERS OF MEMBERS AND WARRANT HOLDERS

The Principal Register of Members and the branch Registers of Members and Warrant holders will be closed from 15 August 2016 to 18 August 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2016 Annual General Meeting, all transfer documents accompanied by the relevant share certificates and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company's branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. 12 August 2016.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have repurchased, sold or redeemed any of the listed securities in the Company during the year ended 31 March 2016.

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 Listing Rules, currently comprises three Independent Non-Executive Directors, namely Mr. Lai Qiang, Mr. Fan Chun Wah Andrew and Mr. Joseph Lee Chennault. 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 audited financial statements for the year ended 31 March 2016.

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 throughout the year ended 31 March 2016 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 12 August 2015 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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 year ended 31 March 2016.

MINIMUM NUMBERS OF INDEPENDENT NON-EXECUTIVE DIRECTORS, AUDIT COMMITTEE MEMBERS AND REMUNERATION COMMITTEE MEMBERS

Following the resignation of Mr. Tsang Wai Wa on 28 February 2015, the Company had three Independent Non-Executive Directors ("INEDs"), two Audit Committee members and two Remuneration Committee members, the number of which fell below the minimum number required under Rules 3.10A, 3.21 and 3.25 of the Listing Rules.

After the appointment of Mr. Fan Chun Wah Andrew as INED of the Company on 22 April 2015, the Company has then complied with the Rules 3.10A, 3.21 and 3.25 of the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT

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

On behalf of the Board
Culturecom Holdings Limited
Chu Bong Foo
Chairman

Hong Kong, 8 June 2016

As at the date of this announcement, the Board comprises of Ms. Chow Lai Wah Livia (being the Vice Chairman and Executive Director), Dr. Lai Tak Kwong Andrew, Mr. Kwan Kin Chung, Mr. Chung Billy, 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) and Mr. Fan Chun Wah Andrew, Mr. Joseph Lee Chennault, Mr. Lai Qiang and Ms. Ng Ying (all being Independent Non-Executive Directors).

* *For identification purpose only*