

2001-2002 INTERIM REPORT

CULTURECOM



CULTURECOM HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

<http://www.culturecom.com.hk>

INTERIM RESULTS

The Board of Directors (the “Directors”) of Culturecom Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th September, 2001 together with comparative figures for the corresponding period of 2000 are as follows:

Condensed Consolidated Income Statement

For the six months ended 30th September, 2001

	Notes	Six months ended	
		30th September, 2001	30th September, 2000
		<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited and restated)</i>
Turnover	4	28,923	79,626
Cost of sales		<u>(20,524)</u>	<u>(63,044)</u>
Gross profit		8,399	16,582
Other revenue		18,612	15,202
Administrative expenses		(39,185)	(41,533)
Unrealised loss on investments in securities		(2,000)	—
Amortisation of goodwill		(139)	—
Impairment loss recognised in respect of investments in securities		(36,029)	—
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries		<u>(8,000)</u>	<u>(50,110)</u>
Loss from operations	5	(58,342)	(59,859)
Finance costs		(24)	(184)
Share of results of associates		(6,125)	(3,188)
Gain on deemed disposal of associates		1,659	—
Impairment loss recognised in respect of goodwill arising on acquisition of an associate		<u>—</u>	<u>(5,109)</u>
Loss before taxation		(62,832)	(68,340)
Taxation	6	<u>—</u>	<u>(3)</u>
Net loss before minority interest		(62,832)	(68,343)
Minority interest		<u>717</u>	<u>—</u>
Net loss for the period		<u><u>(62,115)</u></u>	<u><u>(68,343)</u></u>
Loss per share — basic and diluted	8	<u><u>(2.29 cents)</u></u>	<u><u>(2.55 cents)</u></u>

Condensed Consolidated Balance Sheet

At 30th September, 2001

		30th September, 2001	31st March, 2001
		<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	86,775	103,255
Goodwill		3,194	—
Interests in associates		87,819	72,075
Investments in securities		19,751	37,280
Development costs	10	107,801	25,275
Deposits for acquisition of investments		40,400	78,063
		<u>345,740</u>	<u>315,948</u>
CURRENT ASSETS			
Inventories		1,903	1,375
Trade debtors	11	12,891	9,364
Other debtors, deposits and prepayments		33,410	75,670
Amounts due from related companies		8,060	1,660
Tax recoverable		500	417
Investments in securities		41,700	28,248
Bank balances and cash		158,077	186,005
		<u>256,541</u>	<u>302,739</u>
CURRENT LIABILITIES			
Trade creditors	12	10,679	7,138
Other creditors and accrued charges		21,631	13,707
Amounts due to related companies		1,870	2,634
		<u>34,180</u>	<u>23,479</u>
NET CURRENT ASSETS		<u>222,361</u>	<u>279,260</u>
		<u><u>568,101</u></u>	<u><u>595,208</u></u>

2002

CULTURECOM HOLDINGS LIMITED

2001-2002 INTERIM REPORT

Condensed Consolidated Balance Sheet (Continued)

At 30th September, 2001

		30th September, 2001	31st March, 2001
		<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital	13	272,256	271,016
Reserves	14	<u>293,200</u>	<u>324,192</u>
TOTAL CAPITAL AND RESERVES		<u>565,456</u>	<u>595,208</u>
MINORITY INTEREST		<u>2,645</u>	<u>—</u>
		<u>568,101</u>	<u>595,208</u>

2002

CULTURECOM HOLDINGS LIMITED

2001-2002 INTERIM REPORT

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30th September, 2001

	Six months ended	
	30th September, 2001	30th September, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited and restated)</i>
Net loss for the period	(62,115)	(68,343)
Exchange difference arising on translation of overseas subsidiaries not recognised in income statement	(44)	—
Total recognised losses for the period	<u>(62,159)</u>	<u>(68,343)</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2001

	Six months ended	
	30th September, 2001	30th September, 2000
	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Net cash inflow (outflow) from operating activities	32,446	(54,956)
Net cash inflow from returns on investments and servicing of finance	2,408	8,960
Tax (paid) refunded	(83)	1,355
Net cash outflow from investing activities	<u>(90,911)</u>	<u>(148,947)</u>
Net cash outflow before financing	(56,140)	(193,588)
Net cash inflow from financing	<u>28,212</u>	<u>46,830</u>
Decrease in cash and cash equivalents	(27,928)	(146,758)
Cash and cash equivalents at 1st April	<u>186,005</u>	<u>442,044</u>
Cash and cash equivalents at 30th September	<u><u>158,077</u></u>	<u><u>295,286</u></u>

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2001

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the 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 financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. This has resulted in the adoption of the following new/revised accounting policies.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business Combinations” and has selected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively (see Note 3). Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life, less impairment losses identified, if any. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

3. Prior Period Adjustment

The financial effect of the adoption of the new/revised accounting policies described in Note 2 is summarised below:

	Deficit	Goodwill reserve	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 31st March, 2001			
As originally stated	279,423	122,362	401,785
Retrospective recognition of impairments loss in respect of goodwill held in reserves:			
— subsidiaries	50,110	(50,110)	—
— an associate	5,109	(5,109)	—
As restated	<u>334,642</u>	<u>67,143</u>	<u>401,785</u>

4. Turnover — Segment Information

Business Segments

	Six months ended 30th September, 2001		Six months ended 30th September, 2000 (restated)	
	Turnover	Contribution to operating loss	Turnover	Contribution to operating loss
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Publishing and related business	27,899	(3,347)	22,587	(8,121)
Retailing	1,024	(8,827)	4,301	(1,897)
	28,923	(12,174)	26,888	(10,018)
Discontinued operation:				
Air-ticketing and hotel reservation services	—	—	52,738	269
Segment results	<u>28,923</u>	<u>(12,174)</u>	<u>79,626</u>	<u>(9,749)</u>
Unrealised loss on investments in securities				
		(2,000)		—
Amortisation of goodwill				
		(139)		—
Impairment loss recognised in respect of investments in securities				
		(36,029)		—
Impairment loss recognised in respect of goodwill arising on acquisition of subsidiaries				
		(8,000)		(50,110)
Loss from operations		<u>(58,342)</u>		<u>(59,859)</u>

4. Turnover — Segment Information (Continued)

Geographical Segments

	Six months ended 30th September, 2001		Six months ended 30th September, 2000 (restated)	
	Turnover	Contribution to operating loss	Turnover	Contribution to operating loss
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	28,923	(12,174)	47,120	(3,753)
North America	—	—	29,866	(6,265)
The People's Republic of China	—	—	2,640	269
	<u>28,923</u>	<u>(12,174)</u>	<u>79,626</u>	<u>(9,749)</u>

5. Loss from Operations

Loss from operations has been arrived at after charging (crediting):

	Six months ended	
	30th September, 2001	30th September, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	4,536	4,563
Interest income	<u>(2,432)</u>	<u>(9,144)</u>

6. Taxation

	Six months ended	
	30th September, 2001	30th September, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	—	3

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period. The amount for the six months ended 30th September, 2000 represents the charge for Hong Kong Profits Tax.

7. Dividend

No dividends were paid during the period. The directors do not recommend the payment of any interim dividend.

8. Loss per Share

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$62,115,000 (2000: HK\$68,343,000) and the weighted average number of 2,714,879,861 (2000: 2,676,291,309) shares in issue during the period.

Dilutive loss per share for the period is not shown as exercise of outstanding share options granted and warrants issued by the Company would have an anti-dilutive effect on the loss per share for the period.

9. Additions to Property, Plant and Equipment

During the period, the Group acquired equipment amounting to approximately HK\$2,627,000 (2000: HK\$4,135,000).

10. Development Costs

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the period/year	25,275	12,706
Additions	68,468	12,569
Reclassification from property, plant and equipment	<u>14,058</u>	<u>—</u>
Balance at end of the period/year	<u><u>107,801</u></u>	<u><u>25,275</u></u>

Development costs represent expenditure incurred for the development of the Chinese language computer operating system, Chinese character database chip and Chinese electronic books. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation of five years.

11. Trade Debtors

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors as at the reporting date:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	5,505	4,953
61-90 days	2,071	1,982
> 90 days	<u>5,315</u>	<u>2,429</u>
	<u><u>12,891</u></u>	<u><u>9,364</u></u>

12. Trade Creditors

The following is an aged analysis of trade creditors as at the reporting date:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	2,512	3,603
61-90 days	1,745	628
> 90 days	<u>6,422</u>	<u>2,907</u>
	<u><u>10,679</u></u>	<u><u>7,138</u></u>

13. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each, issued and fully paid:		
At 1st April, 2000	2,539,919,642	253,992
Exercise of share options	29,000,000	2,900
Exercise of warrants	<u>141,240,000</u>	<u>14,124</u>
At 31st March, 2001	2,710,159,642	271,016
Exercise of shares options	5,000,000	500
Exercise of warrants	<u>7,400,000</u>	<u>740</u>
At 30th September, 2001	<u><u>2,722,559,642</u></u>	<u><u>272,256</u></u>

14. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Other reserve HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
At 1st April, 2000	515,710	171,671	(85,734)	31,716	446	—	(242,128)	391,681
Net proceeds from issue of shares	28,634	—	—	—	—	—	—	28,634
Goodwill arising on acquisition of subsidiaries	—	—	(50,110)	—	—	—	—	(50,110)
Goodwill arising on acquisition of associates	—	—	(2,286)	—	—	—	—	(2,286)
Goodwill released on disposal of subsidiaries	—	—	15,768	—	—	—	—	15,768
Transfer from other reserve to share premium due to exercise of warrants	9,516	—	—	(9,516)	—	—	—	—
Transfer from other reserve to deficit due to expiration of warrants	—	—	—	(22,200)	—	—	22,200	—
Loss for the year	—	—	—	—	—	—	(59,495)	(59,495)
At 31st March, 2001								
— as originally stated	553,860	171,671	(122,362)	—	446	—	(279,423)	324,192
— prior period adjustment (see Note 3)	—	—	55,219	—	—	—	(55,219)	—
— as restated	553,860	171,671	(67,143)	—	446	—	(334,642)	324,192
Net proceeds from issue of shares	2,078	—	—	—	—	—	—	2,078
Net proceeds from issue of warrants	—	—	—	24,894	—	—	—	24,894
Transfer from other reserve to share premium due to exercise of warrants	666	—	—	(666)	—	—	—	—
Exchange adjustment	—	—	—	—	—	(44)	—	(44)
Goodwill released on deemed disposal of associates	—	—	4,195	—	—	—	—	4,195
Loss for the period	—	—	—	—	—	—	(62,115)	(62,115)
At 30th September, 2001	<u>556,604</u>	<u>171,671</u>	<u>(62,948)</u>	<u>24,228</u>	<u>446</u>	<u>(44)</u>	<u>(396,757)</u>	<u>293,200</u>

15. Contingent Liabilities

The Group has issued guarantees of approximately HK\$10,000,000 (2000: HK\$10,000,000) to a banker to secure general banking facilities granted to third parties. At 30th September, and 31st March, 2001, the facilities have not been utilised by the third parties.

At 30th September, 2001, the Company was cited as a defendant in a court case in respect of claims amounting to approximately HK\$11,967,000 in relation to guarantee given to the plaintiff. Based on the advise of its legal adviser, the directors are of the view that the Company has solid grounds to defence and will not be liable for the claims. Accordingly, no provisions for this amount has been provided in the financial statements.

16. Capital Commitments

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of a subsidiary, contracted for but not provided in the financial statements	<u>9,434</u>	<u>6,542</u>
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>—</u>	<u>225</u>

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu****INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF CULTURECOM HOLDINGS LIMITED**
*(Incorporated in Bermuda with limited liability)***Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 1 to 14.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, cash flow statement and statement of recognised gains and losses for the six months ended 30th September, 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

18th December, 2001

INTERIM DIVIDEND

The Board of Directors of the Company has resolved not to declare an interim dividend for the six months ended 30th September, 2001 (2000: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group's overall turnover for the six months period ended 30th September, 2001 amounted to approximately HK\$28.9 million, representing a decrease of 63.7% over the corresponding period of last year. The significant decrease in turnover was mainly due to the disposal of air-ticketing and hotel reservation business by the Group in October 2000.

For the six months period ended 30th September, 2001, the Group's consolidated net loss attributable to shareholders decreased by 9.1% to HK\$62.1 million as compared with that of the corresponding period of last year. The loss per share for the period was HK2.29 cents (loss per share for the period ended 30th September, 2000: HK2.55 cents). The loss for the period under review was mainly due to the non-recurring losses of HK\$8 million from write-off of goodwill arising on acquisition of subsidiaries as well as impairment loss on the Group's investments of approximately HK\$36 million.

The Group's net asset value per weighted average number of 2,714,879,861 shares of the Company at 30th September, 2001 was HK\$0.21.

Liquidity and Financial Resources

As at 30th September, 2001, the Group had bank and cash balances in aggregate of approximately HK\$158 million and marketable securities of approximately HK\$42 million. The Group has no significant exposure to foreign exchange rate fluctuations.

On 8th May, 2001, the Company had placed through a placing agent 300,000,000 warrants conferring rights to subscribe up to HK\$81,000,000 in aggregate in cash for shares of HK\$0.10 each in share capital of the Company at an initial subscription price of HK\$0.27 per share during the period from 10th May, 2001 to 9th May, 2002, both days inclusive. Net proceeds of the placement approximately HK\$25,500,000 was used for general working capital of the Group. As at 30th September, 2001, the Company had 292,600,000 outstanding warrants conferring rights to subscribe up to HK\$79,002,000 in cash for shares of HK\$0.10 each in the Company.

As at 30th September, 2001, the Group's total liabilities amounted to HK\$34 million and represented approximately 6% (at 31st March, 2001: 4%) to the shareholders' equity.

In view of the Group's cash and marketable securities on hand as well as the outstanding warrants, the Directors believe that the Group's liquidity position remains healthy and has sufficient financial resources to meet its working capital requirements and any commitment for future expansion should the opportunities arise.

Development Costs of I.T. Projects

As at 30th September, 2001, expenditure incurred for the development of Chinese language computer operating system, Chinese character database chip and electronic books amounted approximately to HK\$107.8 million. These development costs are deferred and written off over the life of the projects from the date of commencement of commercial operation of five years.

Employment and Remuneration Policies

As at 30th September, 2001, the Group had a total of 174 employees of which 151 are based in Hong Kong and 23 based in PRC. Total staff costs incurred during the six months period ended 30th September, 2001 amounted to approximately HK\$18,819,000 (six months ended 30th September, 2000: HK\$21,044,000). Remuneration packages are maintained at competitive level 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. The Group has also committed itself to its staff training and development and structured training programmes for all employees.

Business Review

Foreword

After more than three years of dedicated efforts, Culturecom has achieved substantial results in the development of Chinese information infrastructure and planned to launch its products and technologies systematically into the market from which it has received encouraging responses initially. The Group strongly believes our products meet the huge market demand in China and will greatly increase the popularity of Chinese information technology in the Chinese regions.

Chinese 2000

Chinese 2000 is a user-friendly Chinese operating Linux-based system with highly efficient Chinese office and other Chinese applications. Hence, it is widely accepted by the market since its launch in April, 2001 and is recorded a sale of over 30,000 sets within only half year. Chinese 2000 is fully supported by a strong customer service centre providing comprehensive after-sale services such as real-time inquiry and training programmes. The Group has already developed Chinese 2000 related software for the Mainland market with RedFlag Software Co., Ltd., a subsidiary of the Chinese Academy of Science which will be launched into the Mainland market next year.

Culturecom Processor

With Chinese Character Embedded CPU Technology, Chinese Character Generator, which is embedded in our processor, can generate tens of thousands of both traditional and simplified Chinese characters but uses only a small memory. Our processor is compatible with other Chinese character encoding systems to solve the encoding inconsistency of Chinese characters. The processor can be used in various Chinese information devices with its competitive advantages of low price, high speed and small size. Culturecom 1610 Processor is already applied in our “Culturecom eBook v.1.0”, primarily in providing the reading function. Other more sophisticated processors will be applied in new generations of eBook and network computers. Apart from the reading function, the processor can also perform its function in PDA, mobile phone, network and other computer applications.

Culturecom eBook

“Culturecom eBook v.1.0” offers electronic reading function at a low price. The eTextbook jointly developed by Culturecom and The People’s Education Press will be put on trial at some key primary and secondary schools in China early next year. It is expected to be launched at some provinces and cities in China during the next academic year. eTextbook will provide a cheap electronic learning tool for over 200 million primary and secondary students in China. Furthermore, Culturecom has held discussions with several organisations in exploring the huge market for eBook and memory card.

Secure Numerical Internetwork Information Centre (“SNIIC”)

To facilitate the use of our solely developed “Chinese 2000” software and “Network Computer” hardware, SNIIC has been set up to create a network supporting environment in providing various information, application tools and ASP services to customers. We believe the principal reason for the unpopularity of information technology in China is that the hardware is too expensive. We therefore offer another cost-effective alternative to users by developing Network Computer. With the support of SNIIC, the general public can afford to enjoy the fruitful results of the development of information technology. SNIIC and Network Computer will be first launched into South China next year.

Comic Business

Besides exploring new themes and ideas and moving towards multimedia development, Culturecom puts its focus on the re-packaging programme in which classic comic in the comic library of over 30 years are regularly launched into the market with new promotion. We will continue to work together with multimedia developers by licensing copyrights to promote our comic business through films, computer games and other forms of information and entertainment.

Other Investments

During the past few years, Culturecom invested in other technology related businesses and achieved substantial development. Amongst the investments, Q9 Technology Holdings Limited was successfully listed on the Hong Kong Growth Enterprise Market in May 2001 and rendered the Group with remarkable returns on investment.

Prospects

With its R&D and products, Culturecom will develop its Chinese information technology industry in the Chinese regions and pushes the popularity of Chinese information technology with its advantages of low cost, low learning barrier and advanced Chinese computerization technology.

REPURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities in the Company during the six months ended 30th September, 2001.

DISCLOSURE OF DIRECTORS' INTERESTS IN SECURITIES AS AT 30TH SEPTEMBER, 2001

(A) As at 30th September, 2001, the interests of Directors in the shares of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

THE COMPANY

Name of Director	Personal Interests	Corporate Interests	Total Number of Shares held
Mr. Cheung Wai Tung	10,000,000	—	10,000,000
Mr. Chu Bong Foo	171,400,000	122,872,000 (note 1)	294,272,000
Mr. Henry Chang Manayan	1,000,000	—	1,000,000

Note:

1. 122,872,000 shares were held by Bay-Club Enterprises Inc., which was beneficially owned by Mr. Chu Bong Foo.

- (B) As at 30th September, 2001, the interests of Directors in options of the Company under their share option schemes as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

THE COMPANY

Name of Director		Number of Options	Exercise Price HK\$	Exercisable Period
Mr. Cheung Wai Tung	(i)	4,565,000 <i>(note 1)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Chu Bong Foo	(i)	10,000,000 <i>(note 2)</i>	0.264	27th August, 1999 to 26th August, 2009
	(ii)	2,000,000 <i>(note 2)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Cheung Kam Shing, Terry	(i)	3,000,000 <i>(note 3)</i>	1.680	3rd March, 2000 to 2nd March, 2010
Mr. Henry Chang Manayan	(i)	2,000,000 <i>(note 4)</i>	0.264	27th August, 1999 to 26th August, 2009
	(ii)	500,000 <i>(note 4)</i>	1.680	3rd March, 2000 to 2nd March, 2010

Notes:

- Pursuant to the Company's share option scheme adopted on 15th June, 1993 ("the Company's share option scheme"), Mr. Cheung Wai Tung was granted options by the Company on 3rd March, 2000 to subscribe for 4,565,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010.
- Pursuant to the Company's share option scheme, Mr. Chu Bong Foo was granted options by the Company (i) on 27th August, 1999 to subscribe for 10,000,000 shares at the exercise price of HK\$0.264 per share for the exercise period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 2,000,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010.
- Pursuant to the Company's share option scheme, Mr. Cheung Kam Shing, Terry was granted options by the Company to subscribe for 3,000,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010 upon his appointment as Managing Director of the Company on 1st April, 2000.

4. Pursuant to the Company's share option scheme, Mr. Henry Chang Manayan was granted options by the Company (i) on 27th August, 1999 to subscribe for 3,000,000 shares at the exercise price of HK\$0.264 per share for the exercise period from 27th August, 1999 to 26th August, 2009; and (ii) on 3rd March, 2000 to subscribe for 500,000 shares at the exercise price of HK\$1.680 per share for the exercise period from 3rd March, 2000 to 2nd March, 2010. Mr. Henry Chang Manayan exercised his options to subscribe for 1,000,000 shares of the Company at the exercise price of HK\$0.264 on 18th February, 2000.

Save as disclosed above, no Directors had exercised their options during the period and none of the Company's Directors or their associates had any personal, corporate or other interests in any securities of the Company as defined in the Securities (Disclosure of Interests) Ordinance, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS' INTEREST

According to the register required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance, the following shareholder had an interest of 10% or more in the issued share capital of the Company as at 30th September, 2001:

Name	Number of Shares held
Mr. Chu Bong Foo (<i>note 1</i>)	294,272,000

Note:

1. 122,872,000 shares out of the total 294,272,000 shares were held by Bay-Club Enterprises Inc. which was beneficially owned by Mr. Chu Bong Foo.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim results for the six months ended 30th September, 2001 (the "Interim Results"). At the request of the Directors, the Company's external auditors have carried out a review of the Interim Results in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

2001
2002

CULTURECOM HOLDINGS LIMITED
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CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th September, 2001 with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the Independent Non-Executive Directors of the Company were appointed without specific term as they were subject to retirement by rotation in accordance with the Bye-laws of the Company.

By Order of the Board
Cheung Wai Tung
Chairman

Hong Kong, 18th December, 2001