



China Digital Culture (Group) Limited
中國數碼文化(集團)有限公司

(Formerly known as China Digital Licensing (Group) Limited
中國數碼版權(集團)有限公司)

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

Interim Report 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of China Digital Culture (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of China Digital Culture (Group) Limited (formerly known as China Digital Licensing (Group) Limited) (the "Company") is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30 June 2013 together with the comparative figures for the corresponding periods in 2012, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2013

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
			(Restated)		(Restated)
Continuing operations					
Turnover	5	8,238	9,050	12,725	20,434
Cost of services rendered and cost of goods sold		(106)	(3,465)	(642)	(8,033)
Gross profit		8,132	5,585	12,083	12,401
Other income		244	127	3,428	254
Administrative and other expenses		(4,845)	(5,236)	(9,903)	(10,047)
Finance costs		-	(286)	(66)	(578)
Share of results of associates		67	1,069	999	2,048
Profit before taxation	7	3,598	1,259	6,541	4,078
Income tax expense	8	(922)	(398)	(968)	(991)
Profit from continuing operations		2,676	861	5,573	3,087
Discontinued operations					
Profit from discontinued operations (net of tax)	3	66	367	193	931
Profit for the period		2,742	1,228	5,766	4,018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2013

Note	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
		(Restated)		(Restated)
Other comprehensive income for the period				
Currency translation differences	-	-	-	-
Total comprehensive income for the period	2,742	1,228	5,766	4,018
Profit attributable to:				
Equity holders of the Company				
– Continuing operations	1,857	50	2,882	564
– Discontinued operations	33	187	99	475
	1,890	237	2,981	1,039
Non-controlling interests				
– Continuing operations	819	811	2,691	2,523
– Discontinued operations	33	180	94	456
	852	991	2,785	2,979
	2,742	1,228	5,766	4,018
Total comprehensive income attributable to:				
Equity holders of the Company				
– Continuing operations	1,857	50	2,882	564
– Discontinued operations	33	187	99	475
	1,890	237	2,981	1,039

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2013

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
			(Restated)		(Restated)
Non-controlling interests					
– Continuing operations		819	811	2,691	2,523
– Discontinued operations		33	180	94	456
		852	991	2,785	2,979
		2,742	1,228	5,766	4,018
Dividends	9	–	–	–	–
Basic earnings per share	10				
– Continuing operations		HK0.06 cents	HK0.00 cents	HK0.11 cents	HK0.03 cents
– Discontinued operations		HK0.00 cents	HK0.01 cents	HK0.00 cents	HK0.02 cents
		HK0.06 cents	HK0.01 cents	HK0.11 cents	HK0.05 cents
Diluted earnings per share	10				
– Continuing operations		HK0.06 cents	HK0.00 cents	HK0.11 cents	HK0.02 cents
– Discontinued operations		HK0.00 cents	HK0.01 cents	HK0.00 cents	HK0.02 cents
		HK0.06 cents	HK0.01 cents	HK0.11 cents	HK0.04 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,688	6,208
Intangible assets		2,523	2,866
Interests in associates		7,483	6,618
Loans to and due from jointly controlled entities		824	345
Goodwill		218,031	21,296
		234,549	37,333
CURRENT ASSETS			
Inventories		–	94
Accounts and other receivables	11	29,801	37,991
Tax recoverable		–	107
Bank balances and cash		11,297	17,528
		41,098	55,720
Assets classified as held for sale	3	11,256	–
CURRENT LIABILITIES			
Accounts and other payables	12	16,373	35,993
Tax payable		2,115	588
		18,488	36,581
Liabilities directly associated with assets classified as held for sale	3	7,758	–
NET CURRENT ASSETS		26,108	19,139
TOTAL ASSETS LESS CURRENT LIABILITIES		260,657	56,472
NON-CURRENT LIABILITIES			
Convertible bonds		–	5,364
Deferred tax liabilities		–	4
		–	5,368
NET ASSETS		260,657	51,104
CAPITAL AND RESERVES			
Share capital		33,005	122,979
Reserves		245,687	(51,055)
Equity attributable to equity holders of the Company		278,692	71,924
Non-controlling interests		(18,035)	(20,820)
TOTAL EQUITY		260,657	51,104

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Attributable to equity holders of the Company												Non-controlling interests	
	Reserves													
	Share capital	Share premium	Contributed surplus	Special reserve	Warrant reserve	Foreign currency translation reserve	Share option reserve	Convertible bonds reserve	Accumulated losses	Total reserves	Subtotal	Total	Total	
														HK\$'000
			(Note a)	(Note b)										
2012														
At 1 January 2012	112,655	159,556	-	10,084	291	178	12,251	5,680	(179,710)	8,330	120,985	8,506	129,491	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	1,039	1,039	1,039	2,979	4,018	
Transaction with equity holders														
Shares issued upon exercise of unlisted warrants	750	3,330	-	-	-	-	-	-	-	3,330	4,080	-	4,080	
At 30 June 2012	113,405	162,886	-	10,084	291	178	12,251	5,680	(178,671)	12,699	126,104	11,485	137,589	
2013														
At 1 January 2013	122,979	173,515	-	10,084	276	178	12,251	1,279	(248,638)	(51,055)	71,924	(20,820)	51,104	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	2,981	2,981	2,981	2,785	5,766	
Transaction with equity holders														
Issue of consideration shares	7,559	190,799	-	-	-	-	-	-	-	190,799	198,358	-	198,358	
Conversion of convertible bonds	850	5,858	-	-	-	-	-	(1,279)	-	4,579	5,429	-	5,429	
Capital reorganisation	(98,383)	-	98,383	-	-	-	-	-	-	98,383	-	-	-	
At 30 June 2013	33,005	370,172	98,383	10,084	276	178	12,251	-	(245,657)	245,687	278,692	(18,035)	260,657	

Notes:

- The contributed surplus represents the amount arising from the reduction in the nominal value of the issued share capital of the Company pursuant to a special resolution passed on 5 December 2012.
- The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited) HK\$'000	Six months ended 30 June 2012 (Unaudited) HK\$'000
Net cash (used in) from operating activities	(6,458)	1,568
Net cash from (used in) investing activities	123	(2,352)
Net cash outflow before financing activities	(6,335)	(784)
Net cash from financing activities	104	4,080
Net (decrease) increase in cash and cash equivalents	(6,231)	3,296
Cash and cash equivalents at beginning of the period	17,528	7,256
Effect of exchange rate fluctuations, net	-	-
Cash and cash equivalents at end of the period	11,297	10,552

NOTES

1. CORPORATE INFORMATION

China Digital Culture (Group) Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is located at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The Group is principally engaged in providing copyright content to end-users through well-established platforms. In addition, the Group is also engaged in the business of providing marketing and promotional services for professional athletes.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2012, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"). These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2012 financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

3. DISCONTINUED OPERATIONS

On 26 April 2013, the Group entered into a Sales and Purchase Agreement with a third party (the "Purchaser") to dispose of the Group's e-Learning business (the "Disposal"). The consideration for the Disposal is cash consideration of HK\$5,100,000. The Disposal was completed on 16 July 2013. The operating results of the disposed e-Learning business up to 30 June 2013 have been presented as discontinued operations in this report. The presentation of comparative information in respect of the year ended 30 June 2012 has been restated to show the discontinued operations separately from continuing operations.

3. DISCONTINUED OPERATIONS (CONTINUED)

The results and net cash flows of the discontinued operations for the period ended 30 June 2013 and 2012 are summarised as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Turnover	5,385	7,164
Cost of services rendered and cost of goods sold	(2,414)	(3,181)
Gross profit	2,971	3,983
Other income	168	–
Administrative and other expenses	(2,862)	(2,868)
Profit before taxation	277	1,115
Income tax expense	(84)	(184)
Profit from discontinued operations	193	931

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash flows		
Operating activities	677	244
Investing activities	(50)	–
Total cash flows	627	244

3. DISCONTINUED OPERATIONS (CONTINUED)

The major assets of the discontinued operations are bank balances and cash, accounts and other receivables and were classified as current assets held for sale in accordance with HKFRS 5. The major classes of assets and liabilities of the disposal group held for sale measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period are as follows:

	30 June 2013
	(unaudited)
	HK\$'000
<hr/>	
Assets	
Property, plant and equipment	94
Inventories	86
Accounts and other receivables	6,258
Bank balances and cash	4,818
<hr/>	
Assets classified as held for sale	11,256
<hr/>	
Liabilities	
Account and other payables	7,674
Tax payable	84
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Liabilities directly associated with assets classified as held for sale	7,758
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Net assets attributable to the discontinued operations	3,498
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4. ACQUISITION OF SUBSIDIARIES

Nova Dragon International Limited

On 12 April 2013, the Company acquired the entire equity interest in Nova Dragon International Limited (“Nova Dragon”), which specialises in assisting professional athletes with marketing and promotional activities. As a result of the business combination, the Group is expected to diversify its business opportunities.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	(unaudited) HK\$'000
Consideration:	
Shares issued, at fair value	105,000
	(unaudited) HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Bank balances and cash	171
Accounts and other receivables	1,441
Accounts and other payables	(304)
Total identifiable net assets	1,308
Goodwill arising on acquisition	103,692
	105,000
	(unaudited) HK\$'000
Net cash flow on acquisition of subsidiary:	
Net cash acquired from the subsidiary	171

4. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The Company issued 350,000,000 ordinary shares as consideration paid for the acquisition. The fair value of the shares issued was determined by applying a market approach.

The transaction costs of HK\$489,000 have been excluded from the consideration transferred and included in administrative and other expenses in the consolidated statement of comprehensive income.

The goodwill arising from the acquisition is attributable to the synergies and economies of scale expected to arise from the business combinations. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired subsidiary has contributed HK\$1,328,000 and HK\$1,108,000 to the revenue and results of the Group respectively.

If the business combinations effected during the year had been taken place at the beginning of the year, the revenue and profit for the Group from continuing operations would have been HK\$14,052,000 and HK\$6,546,000 respectively.

China Digital Entertainment Company Limited

On 25 April 2013, the Company acquired 80% equity interest in China Digital Entertainment Company Limited ("CDE"), which specialises in the business of promotion, sales and distribution of movie and music licensed content worldwide and the organisation of music concerts, programs and related services. Prior to the business combination, the Company already held 20% equity interest in CDE. As a result of the business combination, the Group is expected to diversify its business opportunities.

4. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

	(unaudited) HK\$'000
Consideration:	
Shares issued, at fair value	93,357
Total consideration transferred	93,357
Fair value of the equity interest held before the business combination	134
	93,491
	(unaudited) HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Bank balances and cash	425
Accounts and other receivables	78
Accounts and other payables	(55)
Total identifiable net assets	448
Goodwill arising on acquisition	93,043
	93,491
	(unaudited) HK\$'000
Net cash flow on acquisition of subsidiary:	
Net cash acquired from the subsidiary	425

4. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The Company issued 405,900,000 ordinary shares as the consideration paid for the acquisition. The fair value of the shares issued was determined by applying a market approach.

The transaction costs of HK\$208,000 have been excluded from the consideration transferred and included in administrative and other expenses in the consolidated statement of comprehensive income.

The goodwill arising from the acquisition is attributable to the synergies and economies of scale expected to arise from the business combinations. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, the acquired subsidiary has contributed HK\$5,000,000 and HK\$3,539,000 to the revenue and results of the Group respectively.

If the business combinations effected during the year had been taken place at the beginning of the year, the revenue and profit for the Group from continuing operations would have been HK\$12,725,000 and HK\$5,359,000 respectively.

5. TURNOVER

Turnover comprises revenues from the following business activities of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations				
e-Licensing business	8,238	9,050	12,725	20,434
Discontinued operations				
e-Learning business	2,784	3,732	5,385	7,164
	11,022	12,782	18,110	27,598

6. SEGMENT INFORMATION

(a) Segment revenue and results

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

Six months ended 30 June

	2013 (Unaudited)			2012 (Unaudited)		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	e-Licensing business HK\$'000	e-Learning business HK\$'000		e-Licensing business HK\$'000	e-Learning business HK\$'000	
Segment revenue						
Sale to external customers	12,725	5,385	18,110	20,434	7,164	27,598
Loan interest income from a jointly controlled entity	467	-	467	254	-	254
	13,192	5,385	18,577	20,688	7,164	27,852
Segment results	10,930	277	11,207	5,925	1,110	7,035
Unallocated income			10			-
Unallocated expenses			(5,332)			(3,312)
Unallocated finance costs			(66)			(578)
Share of results of associates			999			2,048
Profit before taxation			6,818			5,193
Taxation			(1,052)			(1,175)
Profit for the period			5,766			4,018

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment results represents the results achieved by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, investment and other income, other gains and losses, finance costs, and income tax expenses. This is the measurement method reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (CONTINUED)

(b) Segment assets and liabilities

	30 June 2013 (Unaudited)			31 December 2012 (Audited)		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	e-Licensing business	e-Learning business		e-Licensing business	e-Learning business	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	33,320	11,256	44,576	42,782	9,283	52,065
Goodwill	215,280	2,751	218,031	18,545	2,751	21,296
Interest in associates	-	-	7,483	-	-	6,618
Due from jointly controlled entities	4,527	-	4,527	345	-	345
Unallocated assets			12,286			12,729
Consolidated total assets			286,903			93,053
Segment liabilities	16,651	7,758	24,409	29,858	5,822	35,680
Unallocated liabilities			1,837			6,269
Consolidated total liabilities			26,246			41,949

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

- All assets are allocated to operating segments other than interests in associates; and
- All liabilities are allocated to the sales/service activities of individual segments other than convertible bonds.

6. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

Six months ended 30 June

	2013 (Unaudited)			2012 (Unaudited)		
	Continuing operations	Discontinued operations	Consolidated	Continuing operations	Discontinued operations	Consolidated
	e-Licensing business	e-Learning business		e-Licensing business	e-Learning business	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information						
Amortisation of intangible assets	367	-	367	366	-	366
Depreciation of property, plant and equipment	460	16	476	437	12	449
Capital expenditure	24	50	74	468	-	468
Write-back on allowance for doubtful debts on amount due from a jointly controlled entity	2,950	-	2,950	-	-	-

(d) Geographic information

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

The Group's revenue from external customers by locations of operations and information about its non-current assets by locations of assets are detailed below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Audited) HK\$'000
Continuing operations				
- PRC	12,725	20,434	230,974	34,043
Discontinued operations				
- Hong Kong	5,385	7,164	2,751	2,945
	18,110	27,598	233,725	36,988

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations				
Amortisation of intangible assets	183	183	367	366
Depreciation	230	211	460	437
Write-back on allowance for doubtful debt on amount due from a jointly controlled entity	(2,950)	–	(2,950)	–
Discontinued operations				
Depreciation	5	6	16	12

8. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations				
Current				
– PRC	922	398	968	991
Discontinued operations				
Current				
– Hong Kong	59	73	84	184
	981	471	1,052	1,175

9. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months and six months ended 30 June 2013 (2012: Nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

(a) Basic earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	1,890	237	2,981	1,039

	Number of shares		Number of shares	
	2013	2012	2013	2012
Shares				
Weighted average number of ordinary shares in issue during the period	3,141,210,892	2,268,101,039	2,806,574,159	2,266,617,523
Basic earnings per share	HK0.06 cents	HK0.01 cents	HK0.11 cents	HK0.05 cents

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	1,890	237	2,981	1,039
	Number of shares		Number of shares	
	2013	2012	2013	2012
Shares				
Weighted average number of ordinary shares in issue during the period	3,141,210,892	2,268,101,039	2,806,574,159	2,266,617,523
Effect of dilutive potential ordinary shares:				
Convertible bonds	-	151,942,492	-	162,619,660
Weighted average number of shares for the purpose of calculating diluted earnings per share	3,141,210,892	2,420,043,531	2,806,574,159	2,429,237,183
Diluted earnings per share	HK0.06 cents	HK0.01 cents	HK0.11 cents	HK0.04 cents

11. ACCOUNTS AND OTHER RECEIVABLES

Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Accounts receivable	16,294	8,007
Deposits, prepayments and other receivables	9,619	1,993
Due from associates (i)	185	6
Due from a jointly controlled entity (i)	3,703	–
Due from a director (i)	–	27,985
Other receivables	13,507	29,984
	29,801	37,991

An ageing analysis of the accounts receivable is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Current	69	5,054
Less than 1 month past due	5,780	864
1 month to 3 months past due	7,580	1,026
Over 3 months past due	2,865	1,063
	16,225	2,953
	16,294	8,007

(i) Due from associates/a jointly controlled entity/a director

The amounts due are unsecured, interest-free and have no fixed repayment term.

The carrying value of the amounts due approximate their fair value.

12. ACCOUNTS AND OTHER PAYABLES

	<i>Note</i>	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Accounts payable	(i)	3,123	2,323
Deferred income, accrued charges and other payables		3,854	11,084
Due to directors	(ii)	2,408	15,290
Due to an individual/related party	(iii)	6,988	6,951
Due to a jointly controlled entity		-	345
		16,373	35,993

(i) Accounts payable

At the end of the reporting period, the ageing analysis of accounts payables is in the range of zero to 30 days.

(ii) Due to directors

The amounts due to the Company's directors, Mr. Hsu Tung Chi and Mr. Hsu Tung Sheng, are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due to directors approximate their fair value.

(iii) Due to an individual/related party

The individual is the shareholder of a company which was substantial shareholder of the Company (i.e. which was interested in 10% or more of the nominal value of share capital of the Company) up to November 2012. The amount due is unsecured, interest-free and has no fixed repayment term. The carrying value of the amount due to the individual approximates its fair value.

13. OPERATING LEASE COMMITMENTS

The Group leases equipment and premises under operating leases. The leases are negotiated for a term ranging from 1 year to 5 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of equipment and premises falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	1,034	1,013
In the second to fifth years inclusive	201	190
	1,235	1,203

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current periods' presentation.

15. EVENTS AFTER REPORTING PERIOD

On 16 July 2013, all conditions in the Disposal Agreement between Wonder Link Limited ("Wonder Link"), a wholly-owned subsidiary of the Company, and DigiSmart (Group) Limited ("DigiSmart") were fulfilled and the disposal of e-Learning business was completed. The purchaser, DigiSmart, settled the consideration by payment in cash of HK\$5,100,000 to Wonder Link.

On 3 June 2013, Marvel Cosmos Limited ("Marvel Cosmos"), an indirect wholly-owned subsidiary of the Company, entered into a conditional agreement with Swift Plus Limited, as the vendor, and Mr. Chan Poon Yau Adrian, as the guarantor and sole and beneficial owner of the vendor for the acquisition of 40% equity interest of Socle Limited for an aggregate consideration of HK\$18,624,000. The acquisition will be completed upon the fulfillment of the conditions as stipulated in the sale and purchase agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group recorded a turnover from continuing operations of approximately HK\$12,725,000 (30 June 2012: HK\$20,434,000) and a profit attributable to equity holders of the Company from continuing operations of approximately HK\$2,882,000 (30 June 2012: HK\$564,000). Profit attributable to equity holders of the Company from discontinued operations (net of tax) was HK\$99,000 for the six months ended 30 June 2013 as compared to HK\$475,000 for the corresponding period in 2012.

I. e-Licensing Business

For the six months ended 30 June 2013, the e-Licensing business recorded a turnover of approximately HK\$12,725,000 (30 June 2012: HK\$20,434,000).

The Group has been the licensing agent for Universal, Warner, and Sony since 2011, accumulating a library of over 450,000 pieces of music and representing one of the largest content providers on China Unicom as a music platform. We have established an aggregate of 70 local ringtone products in numerous provinces and accumulated more than 80,000 long-term subscribers. On 31 May 2013, the Group was granted music rights from a leading Chinese music label – Golden Typhoon Group—for a term of two years. Golden Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 pieces of music. Further, Golden Typhoon Group is the exclusive agent for EMI with regard to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous records produced worldwide. With our newfound collaboration with Golden Typhoon Group, the Group will offer subscribers of China Unicom and other potential music platforms more exciting and robust music content. Furthermore, we believe that the music rights from Gold Typhoon Group will strengthen our presence in the music library of China Unicom from representing 50% of all music on the platform to 70%. In addition, the Group will increase its efforts in the second half of the year to introduce our extensive music content to China Telecom as a distribution platform.

On 12 April 2013, Silver Season Investments Limited (“Silver Season”), a wholly-owned subsidiary of the Company, completed the acquisition of the entire equity interest in Nova Dragon International Limited (“Nova Dragon”). Nova Dragon and its subsidiaries are principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪) a NBA player, with marketing and promotional activities worldwide.

In addition, on 25 April 2013, Silver Season completed the acquisition of 80% equity interest in China Digital Entertainment Company Limited (“CDE”), in which the Group owned 20% equity interest as of 31 December 2012. CDE and its subsidiaries are principally engaged in the business of promotion, sales and distribution of movie and music licensed content worldwide and the organization of music concerts, programs and related services.

The Group believes that the acquisition of both Nova Dragon and CDE will strengthen its business and continue to maintain long-term profitability and growth in their respective operating segments.

II. e-Learning Business

For the six months ended 30 June 2013, the e-Learning business recorded a turnover of approximately HK\$5,385,000 (30 June 2012: HK\$7,164,000).

The e-Learning business includes providing educational technology solutions through online learning programs to primary and secondary school students in Hong Kong and Macau.

On 26 April 2013, the Group entered into an agreement with DigiSmart (Group) Limited for the disposal of the entire interest in Star Bright Limited and its subsidiaries (“Star Bright”). Star Bright is principally engaged in the e-Learning business. On 16 July 2013, the disposal was completed and the Group ceased to have any interest in Star Bright and is accordingly no longer engaged in the e-Learning business. Following the disposal, the Group will continue to focus on the business of providing copyright management solutions along with related consultancy services and the distribution of copyright-protected and licensed content. In the future, the Group intends to focus and devote its resources to developing the core entertainment licensing business and use the proceeds from the disposal for general working capital and acquisitions.



Outlook

The Group will continue its efforts in further developing its businesses in China's fast growing cultural, entertainment, and sports areas. To reflect this refocus, on 8 August 2013, the board of directors of the Company changed the Group's name to China Digital Culture (Group) Limited. The recent acquisitions along with the strong business relationships cultivated by the Group's experienced management team will help the Group to grow and prosper in its businesses including but not limited to licensing distribution, athlete representation and concert production.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group recorded a turnover of HK\$12,725,000 from continuing operations as compared to HK\$20,434,000 in the same period in 2012. The decrease in turnover is primarily attributable to the temporary lack of demand in Q2 of 2013. The Group projects turnover to increase significantly in Q3 and Q4 of 2013 through the increased music content from Golden Typhoon Group and the potential use of China Telecom as a distribution platform.

The Group reported a net profit attributable to equity holders for both continuing and discontinued operations of approximately HK\$2,981,000 for the six months ended 30 June 2013, compared to a net profit of approximately HK\$1,039,000 in the corresponding period of last year. Such increase is mainly attributable to the reversal of HK\$2,950,000 impairment loss on the amount due from a jointly controlled entity in 2013 and cost reduction relating to contract renegotiations.

Administrative and other expenses from continuing operations for the six months ended 30 June 2013 amounted to approximately HK\$9,903,000 (30 June 2012: approximately HK\$10,047,000), representing a decrease of approximately 1% compared with the same period last year.

Liquidity and financial resources

As at 30 June 2013, the Group had current assets of approximately HK\$41,098,000 (31 December 2012: HK\$55,720,000) and current liabilities of approximately HK\$18,488,000 (31 December 2012: HK\$36,581,000). The current assets were comprised mainly of cash and bank balances of HK\$11,297,000 (31 December 2012: HK\$17,528,000) together with accounts and other receivables of HK\$29,801,000 (31 December 2012: HK\$37,991,000). The Group's current liabilities were comprised mainly of other payables of approximately HK\$16,373,000 (31 December 2012: HK\$35,993,000). The Group had no bank borrowings at 30 June 2013 (31 December 2012: Nil).

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2013, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Foreign exchange risk

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.





Contingent liabilities

As at 30 June 2013, the group had no material contingent liabilities.

Employee information

As at 30 June 2013, the Group had 42 (31 December 2012: 49) full-time employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

The Group also adopts employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 12 April 2013, Silver Season Investments Limited (“Silver Season”), a wholly owned subsidiary of the Company, completed the acquisition of the entire equity interest in Nova Dragon International Limited (“Nova Dragon”) at a total consideration of HK\$105,000,000, which was settled by the allotment and issue of an aggregate of 350,000,000 ordinary shares of the Company at HK\$0.30 per share.

On 25 April 2013, Silver Season completed the acquisition of 80% equity interest in China Digital Entertainment Company Limited (“CDE”), in which the Group owned 20% equity interest as at 31 December 2012, for a total consideration of HK\$93,357,000. The consideration was settled by issuing 405,900,000 ordinary shares of the Company at HK\$0.23 per share.

On 26 April 2013, Wonder Link Limited (“Wonder Link”), a wholly-owned subsidiary of the Company entered into the Disposal Agreement with DigiSmart (Group) Limited (“DigiSmart”) for the disposal of the entire interest in Start Bright Limited (“Start Bright”) for an aggregate cash consideration of HK\$5,100,000. On 16 July 2013, all conditions precedent within the disposal agreement had been fulfilled and the disposal was completed.

On 3 June 2013, Marvel Cosmos Limited (“Marvel Cosmos”), an indirect wholly-owned subsidiary of the Company, entered into a conditional agreement with Swift Plus Limited, as the vendor, and Mr. Chan Poon Yau Adrian, as the guarantor and sole and beneficial owner of the vendor for the acquisition of 40% equity interest of Socle Limited for an aggregate consideration of HK\$18,624,000 of which, (i) HK\$6,000,000 has been settled by cash; (ii) HK\$4,864,000 in cash shall be payable by Marvel Cosmos upon completion of the said acquisition; and (iii) HK\$7,760,000 shall be payable by Marvel Cosmos by procuring the Company to allot and issue the 44,342,857 shares of the Company at the issue price of HK\$0.175 per share.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in Shares

Name of director	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	19,000,000 (L)	0.58%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	19,000,000 (L) 72,984,893 (L)	0.58% 2.21%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	2.21%
Mr. Pang Hong Tao	Beneficial	42,800,000 (L)	1.30%
Ms. Au Shui Ming, Anna (Resigned on 01/07/2013)	Beneficial	54,500,000 (L)	1.65%

(L) denotes long position

Note:

- Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 19,000,000 shares. Daily Technology Company Limited ("Daily Technology"), which is beneficially owned as to 98% by Mr. Hsu. Daily Technology, beneficially owns 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to also be interested in 72,984,893 shares.

(ii) Interest in share options

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	15,000,000 (L)	0.45%
Mr. Hsu Tung Chi	Beneficial	15,000,000 (L)	0.45%
Mr. Pang Hong Tao	Beneficial	8,000,000 (L)	0.24%
Ms. Au Shui Ming, Anna (Resigned on 01/07/2013)	Beneficial	8,000,000 (L)	0.24%

(L) denotes long position

Save as disclosed above, as at 30 June 2013, none of the directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.



SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 24 January 2003 pursuant to a written resolution of the Company. Details of the movements in the number of share options during the period under the Scheme are as follows:

Categories of grantees	As at	Exercised	Outstanding	Exercise	Grant	Exercisable
	1 January	during	at 30 June			
	2012	the period	2012	price	date	period
				HK\$		
Directors						
Mr. Hsu Tung Sheng	15,000,000	–	15,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Mr. Hsu Tung Chi	15,000,000	–	15,000,000	0.475	16/12/2010	16/12/2010- 15/12/2013
Mr. Pang Hong Tao	8,000,000	–	8,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Ms. Au Shui Ming, Anna	8,000,000	–	8,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
Employees	48,000,000	–	48,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
	4,000,000	–	4,000,000	0.475	16/12/2010	16/12/2010- 15/12/2013
	98,000,000	–	98,000,000			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2013, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:


(i) Interest in Shares

Name of Substantial Shareholder	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole (Note 1)	Interest of controlled corporation	497,698,238 (L)	15.08%
Ms. Xu Ziqi (Note 1)	Deemed	497,698,238 (L)	15.08%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	497,698,238 (L)	15.08%

Notes:

- Golden Mabole Culture Media Company Limited ("Golden Mabole") is wholly and beneficially owned by Mr. Ma Bole ("Mr. Ma"). Golden Mabole beneficially owns 497,698,238 shares of the Company. Under the SFO, Mr. Ma is deemed to be interested in 497,698,238 shares held by Golden Mabole.

Ms. Xu Ziqi is deemed to be interested in 497,698,238 shares under the SFO by virtue of being the spouse of Mr. Ma.



Save as disclosed above, as at 30 June 2013, the directors were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

The Directors believe that none of the directors, the management shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its respective associates had an interest in a business which competes or may compete either directly or indirectly with the business of the Group as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2013.

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

During the period ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Directors have confirmed their compliance with such code of conduct and the required standard of dealings regarding securities transactions during the six months ended 30 June 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code and complied with the code provisions set out in the Code for the period ended 30 June 2013, except for the deviations from code provisions A4.2 as detailed in the Corporate Governance Report that the Chairman is not subject to retirement by rotation.

Code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Pursuant to the Bye-laws of the Company, any Director so appointed shall hold office only until the next following annual general meeting and so on from year to year until their places are filled. However, the Company believes that it is in the best interest of the Company’s shareholders to transact this ordinary course of business in the annual general meeting and 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.



AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the interim reports and quarterly reports. As at 30 June 2013, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Leung Hiu Kong, Edward, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.

On 1 August 2013, Mr. Lee Kun Hung resigned as an independent non-executive Director and ceased to be a member of the Audit Committee and Mr. Leung Hiu Kong, Edward was appointed as an independent non-executive Director and a member of the Audit Committee.

The Group’s unaudited interim results for the six months ended 30 June 2013 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

As at the date of this report, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Pang Hong Tao and Mr. Chang Li Cheng. The independent non-executive directors are Mr. Wong Tak Shing, Mr. Leung Hiu Kong, Edward and Mr. Kwok Chi Sun, Vincent.

By order of the Board of
China Digital Culture (Group) Limited
Hsu Tung Sheng
Chairman

Hong Kong, 14 August 2013