



**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)

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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.*



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors**

Hsu Tung Sheng (*Chairman*)

Hsu Tung Chi (*Chief Executive Officer*)

Pang Hong Tao

Chang Li-Cheng

#### **Independent Non-executive Directors**

Kwok Chi Sun, Vincent

Leung Hiu Kong, Edward

Wong Tak Shing

#### **AUDIT COMMITTEE**

Kwok Chi Sun, Vincent

Leung Hiu Kong, Edward

Wong Tak Shing

#### **REMUNERATION COMMITTEE**

Kwok Chi Sun, Vincent

Leung Hiu Kong, Edward

Hsu Tung Chi

#### **NOMINATION COMMITTEE**

Kwok Chi Sun, Vincent

Hsu Tung Chi

Wong Tak Shing

#### **COMPANY SECRETARY**

Chan Kin Ho, Philip

#### **COMPLIANCE OFFICER**

Hsu Tung Chi

#### **AUTHORISED REPRESENTATIVES**

Hsu Tung Chi

Chan Kin Ho, Philip

## **AUDITOR**

Mazars CPA Limited

*Certified Public Accountants*

## **LEGAL ADVISER**

Phillips Solicitors

## **REGISTERED OFFICE**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Room 2801A, Tower 1

Lippo Centre

89 Queensway

Hong Kong

## **SHARE REGISTRAR**

Tricor Standard Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

## **PRINCIPAL BANKER**

Standard Chartered Bank (Hong Kong) Limited

## **WEBSITE ADDRESS**

[www.cdculture.com](http://www.cdculture.com)

## **STOCK CODE**

8175

## THIRD QUARTERLY RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") is pleased to present an unaudited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding period in 2012, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2013

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
			(Restated)		(Restated)
<b>Continuing operations</b>					
Turnover	4	13,244	1,862	25,969	22,296
Cost of services rendered and cost of good sold		(4,293)	(184)	(4,935)	(8,218)
Gross profit		8,951	1,678	21,034	14,078
Other income		881	419	4,309	673
Gain on disposal of subsidiaries		567	-	567	-
Administrative and other expenses		(7,065)	(3,348)	(16,968)	(13,394)
Finance costs		-	(299)	(66)	(877)
Share of results of associates		942	1,500	1,941	3,548
<b>Profit (Loss) before taxation</b>		<b>4,276</b>	<b>(50)</b>	<b>10,817</b>	<b>4,028</b>
Income tax expense	5	(1,213)	(141)	(2,181)	(1,132)
<b>Profit (Loss) from continuing operations</b>		<b>3,063</b>	<b>(191)</b>	<b>8,636</b>	<b>2,896</b>
<b>Discontinued operations</b>					
Profit from discontinued operations (net of tax)		45	392	238	1,323
<b>Profit for the period</b>		<b>3,108</b>	<b>201</b>	<b>8,874</b>	<b>4,219</b>

	Note	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Other comprehensive income for the period</b>			(Restated)		(Restated)
Currency translation differences		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>3,108</b>	201	<b>8,874</b>	4,219
<b>Profit (loss) attributable to: Equity holders of the Company</b>					
- Continuing operations		2,992	(92)	5,874	472
- Discontinued operations		22	200	121	675
		<b>3,014</b>	108	<b>5,995</b>	1,147
<b>Non-controlling interests</b>					
- Continuing operations		71	(99)	2,762	2,424
- Discontinued operations		23	192	117	648
		<b>94</b>	93	<b>2,879</b>	3,072
		<b>3,108</b>	201	<b>8,874</b>	4,219
<b>Total comprehensive income (loss) attributable to: Equity holders of the Company</b>					
- Continuing operations		2,992	(92)	5,874	472
- Discontinued operations		22	200	121	675
		<b>3,014</b>	108	<b>5,995</b>	1,147
<b>Non-controlling interests</b>					
- Continuing operations		71	(99)	2,762	2,424
- Discontinued operations		23	192	117	648
		<b>94</b>	93	<b>2,879</b>	3,072
		<b>3,108</b>	201	<b>8,874</b>	4,219
<b>Dividends</b>	6	-	-	-	-
<b>Basic earnings (loss) per share</b>	7				
- Continuing operations		HK0.09 cents	HK(0.004) cents	HK0.20 cents	HK0.02 cents
- Discontinued operations		HK0.00 cents	HK0.009 cents	HK0.00 cents	HK0.03 cents
		<b>HK0.09 cents</b>	HK0.005 cents	<b>HK0.20 cents</b>	HK0.05 cents
<b>Diluted earnings (loss) per Share</b>					
- Continuing operations		HK0.09 cents	HK(0.004) cents	HK0.20 cents	HK0.02 cents
- Discontinued operations		HK0.00 cents	HK0.009 cents	HK0.00 cents	HK0.03 cents
		<b>HK0.09 cents</b>	HK0.005 cents	<b>HK0.20 cents</b>	HK0.05 cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2013

	Share capital	Share premium	Contributed surplus	Special reserve	Warrant reserve	Convertible notes reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total reserves	Subtotal	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2012</b>													
At 1 January 2012	112,655	159,556	-	10,084	291	5,680	178	12,251	(179,710)	8,330	120,985	8,506	129,491
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	1,147	1,147	1,147	3,072	4,219
<b>Transaction with equity holders</b>													
Shares issued upon exercise of unlisted warrants	750	3,330	-	-	-	-	-	-	-	3,330	4,080	-	4,080
At 30 September 2012	113,405	162,886	-	10,084	291	5,680	178	12,251	(178,563)	12,807	126,212	11,578	137,790
<b>2013</b>													
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
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	5,995	5,995	5,995	2,879	8,874
<b>Transaction with equity holders</b>													
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	-	-	-
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 30 September 2013	33,005	370,172	98,383	10,084	276	178	12,251	-	(242,643)	248,701	281,706	(19,703)	262,003

Note:

- 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 the subsidiaries at the date on which it was acquired by the Company and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 are 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 the disposal date have been presented as discontinued operations in this report. The presentation of comparative information in respect of the year ended 30 September 2012 has been restated to show the discontinued operations separately from continuing operations.

The results of the discontinued operation for the period ended 30 September 2013 and 2012 are summarised as follows:

	Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Turnover	6,106	10,745
Cost of services rendered and cost of goods sold	(2,800)	(4,835)
Gross profit	3,306	5,910
Other income	158	-
Administrative and other expenses	(3,119)	(4,323)
Profit before taxation	345	1,587
Income tax expense	(107)	(264)
Profit attribute to discontinued operation	238	1,323



Effect of Disposal on the financial position of the Group:

	<b>HK\$'000</b>
<b>Net assets disposed of:</b>	
Goodwill	2,750
Property, plant and equipment	91
Inventories	172
Accounts and other receivables	5,477
Bank balances and cash	5,049
Account and other payables	(7,135)
Tax payable	(105)
Deferred tax liabilities	(4)
Non-controlling interests	(1,762)
	<b>4,533</b>
<b>Satisfied by:</b>	
Cash consideration	5,100
	<b>567</b>

No provision for Hong Kong Profits Tax has been made for the gain on sale of discontinued operations.

#### 4. TURNOVER

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

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000	<b>2013 (Unaudited) HK\$'000</b>	2012 (Unaudited) HK\$'000
<b>Continuing operations</b>				
e-Licensing business	<b>13,244</b>	1,862	<b>25,969</b>	22,296
<b>Discontinued operations</b>				
e-Learning business	<b>721</b>	3,581	<b>6,106</b>	10,745
	<b>13,965</b>	5,443	<b>32,075</b>	33,041

## 5. 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 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Current				
– PRC	1,213	141	2,181	1,132
<b>Discontinued operations</b>				
Current				
– Hong Kong	23	80	107	264
	<b>1,236</b>	221	<b>2,288</b>	1,396

## 6. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the nine months ended 30 September 2013 (2012: Nil).

## 7. EARNINGS (LOSS) PER SHARE

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

### (a) Basic earnings (loss) per share

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) attributable to equity holders of the Company	3,014	108	5,995	1,147
	Number of shares		Number of shares	
	2013	2012	2013	2012
Shares				
Weighted average number of ordinary shares in issue during the period	3,300,510,492	2,268,101,039	2,973,028,894	2,267,115,638
Basic earnings (loss) per share	HK0.09 cents	HK0.005 cents	HK0.20 cents	HK0.05 cents

**(b) Diluted earnings (loss) per share**

	Three months ended 30 September		Nine months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) attributable to equity holders of the Company	<b>3,014</b>	108	<b>5,995</b>	1,147
	Number of shares		Number of shares	
	2013	2012	2013	2012
Shares				
Weighted average number of ordinary shares in issue during the period	<b>3,300,510,492</b>	2,268,101,039	<b>2,973,028,894</b>	2,267,115,638
Effect of dilutive potential ordinary shares:				
Convertible bonds	–	123,196,269	–	151,383,896
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share	<b>3,300,510,492</b>	2,391,297,308	<b>2,973,028,894</b>	2,418,499,534
Diluted earnings (loss) per share	<b>HK0.09 cents</b>	HK0.005 cents	<b>HK0.20 cents</b>	HK0.05 cents

## 8. COMPARATIVE FIGURES

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

## 9. EVENTS AFTER REPORTING PERIOD

On 9 October 2013 (after trading hours), Cheer Plan Limited (“Purchaser”), a wholly owned subsidiary of the Company entered into the S&P Agreement with Fine Talent Limited, Smart Arena Limited, Right Spirit Group Limited, Mr. Hsu Tung Sheng and Daily Technology Company Limited (the “Vendors”), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, 5,080 shares of Far Glory Limited (the “Target Company”), representing approximately 46.61% of the total issued share capital of the Target Company, for a total consideration of HK\$1.00.

On 23 October 2013 (after trading hours), the Company entered into a warrant subscription agreement with Wei Sheng Global Limited and Zhong Ying Holdings Limited (the “Subscribers”), pursuant to which, the Company has conditionally agreed to allot and issue to the Subscribers and the Subscribers have conditionally agreed to subscribe for an aggregate of 275,500,000 warrants (the “Warrants”) at the subscription price of HK\$0.001 per Warrant conferring the rights to subscribe for an aggregate of 275,500,000 shares of the Company (the “Warrant Shares”) at the Exercise Price of HK\$0.15 per Warrant Share. Each Warrant carries the right to subscribe for 1 Warrant Share.

On 30 October 2013, the conditions of the agreement relating to the acquisition of 40% equity interest in Socle Limited (the “Acquisition”) have been fulfilled. As a result of the completion, the remaining consideration in the amount of HK\$4,864,000 has been paid by Marvel Cosmos Limited, an indirect wholly-owned subsidiary of the Company, to Swift Plus Limited (the “Vendor”) in cash and an aggregate of 44,342,857 consideration Shares at the issue price of HK\$0.175 per Share have been issued to the Vendor as payment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW


For the nine months ended 30 September 2013, the Group recorded a turnover from continuing operations of approximately HK\$25,969,000 (30 September 2012: HK\$22,296,000) and a profit attributable to equity holders of the Company from continuing operations of approximately HK\$5,874,000 (30 September 2012: HK\$472,000). Profit attributable to equity holders of the Company from discontinued operations (net of tax) was approximately HK\$121,000 for the nine months ended 30 September 2013 as compared to approximately HK\$675,000 for the corresponding period in 2012.

### I. e-Licensing Business

For the nine months ended 30 September 2013, the e-Licensing business recorded a turnover of approximately HK\$25,969,000 (30 September 2012: HK\$22,296,000).

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 has begun to provide 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 of 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. We are proud to announce that in August 2013 Nova Dragon successfully organized a basketball training camp with Jeremy Lin in Beijing. The event was sponsored by Proctor & Gamble and was extremely popular and well-received.

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.

On 30 October 2013, the acquisition of 40% equity interest in Socle Limited (the “Acquisition”) was completed. Socle Limited is principally engaged in the purchase and sale of sport events licensing and is one of the foremost providers of sports events and entertainment content in the PRC.

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

## II. e-Learning Business

For the nine months ended 30 September 2013, the e-Learning business recorded a turnover of approximately HK\$6,106,000 (30 September 2012: HK\$10,745,000).

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, Wonder Link Limited, a wholly owned subsidiary of the Company 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 purposes.

## 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 nine months ended 30 September 2013, the Group recorded a turnover of approximately HK\$25,969,000 from continuing operations as compared to approximately HK\$22,296,000 of the corresponding period in 2012. The increase in turnover is primarily attributable to the new events and contracts occurring in the current quarter ending 30 September 2013 relating to sales of Television/movie licenses and the successful production of Jeremy Lin's Basketball training camp.

The Group reported a net profit attributable to equity holders for both continuing and discontinued operations of approximately HK\$5,995,000 for the nine months ended 30 September 2013, compared to a net profit of approximately HK\$1,147,000 in the corresponding period of last year.







Administrative and other expenses from continuing operations for the nine months ended 30 September 2013 amounted to approximately HK\$16,968,000 (30 September 2012: approximately HK\$13,394,000), representing an increase of approximately 27% compared with the same period last year.

## **MATERIAL ACQUISITIONS AND DISPOSALS 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 the market price of 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 the market price of 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 HK\$10,840,000 be settled by cash and HK\$7,760,000 be payable by Marvel Cosmos procuring the Company to allot and issue 44,342,857 Shares at the issue price of HK\$0.175 per Share. On 30 October 2013, the acquisition was completed and payments were made to the respective parties.

On 9 October 2013 (after trading hours), Cheer Plan Limited (“Purchaser”), a wholly owned subsidiary of the Company entered into the S&P Agreement with the Vendors of Far Glory Limited (“Target Company”), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, 5,080 shares, representing approximately 46.61% of the total issued share capital of the Target Company.

Save as discussed above the Group has made no other material acquisitions nor disposals of subsidiaries and affiliated companies of the Company.

## **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 September 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 or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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, were as follows:

## (i) Interest in Shares

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
Mr. Hsu Tung Sheng	Beneficial	73,500,000	2.23%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	54,800,000 72,984,893 (L)	1.66% 2.21%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	2.21%
Mr. Pang Hong Tao	Beneficial	7,000,000	0.21%
Chang Li-Cheng	Beneficial	13,570,503 (L)	0.41%
Leung Hiu Kong, Edward	Beneficial	500,000(L)	0.02%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 54,800,000 shares. Daily Technology Company Limited ("Daily Technology") 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 be interested in 72,984,893 shares owned by Daily Technology.

## (ii) Interest in share options

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of share options granted</b>	<b>Approximate percentage of interests</b>
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%

(L) denotes long position

Save as disclosed above, as at 30 September 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 1 January 2013	Exercised during the period	Outstanding at 30 September 2013	Exercise price HK\$	Grant date	Exercisable period
<b>Directors</b>						
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 (Note 1)	-	8,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
<b>Employees</b>						
	48,000,000 (Note 2)	-	48,000,000	0.44	13/12/2010	13/12/2010- 12/12/2013
	4,000,000 (Note 3)	-	4,000,000	0.475	16/12/2010	16/12/2010- 15/12/2013
	98,000,000	-	98,000,000			

Note:

- On 1 July 2013, Ms. Au Shui Ming, Anna, resigned as a director of the Company. Per the Share Option Scheme, the Grantee may exercise the options within the period of three (3) months following the date of resignation.
- 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 the e-Learning business was completed. As a result, three employees holding a total of 34,000,000 in share options resigned from the Company. Per the Share Option Scheme, the Grantee may exercise the options within the period of three (3) months following the date of resignation.
- As a result of the disposal of the e-Learning business, an employee holding 4,000,000 share options resigned from the Company. Per the Share Option Scheme, the Grantee may exercise the options within the period of three (3) months following the date of resignation.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 September 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


<b>Name of Substantial Shareholder</b>	<b>Nature of interests</b>	<b>Number or attributable number of Shares held or short positions</b>	<b>Approximate percentage or attributable percentage of shareholding</b>
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 September 2013, the following persons (not being directors or chief executive officer 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.

## **COMPETING INTERESTS**

The directors believe that none of the directors nor the management shareholders nor the substantial shareholder (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 nine months ended 30 September 2013.

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

During the nine months ended 30 September 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 they have complied with such code of conduct and the required standard of dealings regarding securities transactions adopted by the Company throughout the nine months ended 30 September 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 nine months ended 30 September 2013, except for the deviations from code provisions A.4.2 as detailed in the Corporate Governance Report that the Chairman is not subject to retirement by rotation.

Code provision A.4.2 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 bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.





## AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 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 annual reports, interim reports and quarterly reports. 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 quarterly results for the nine months ended 30 September 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 disclosures have 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. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Leung Hiu Kong, Edward.

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

Hong Kong, 13 November 2013