



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

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

Interim Report 2014



## **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.**

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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 (*resigned on 14 April 2014*)

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

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching-Lien (*appointed on 7 July 2014*)

Leung Hiu Kong, Edward (*resigned on 7 July 2014*)

### **AUDIT COMMITTEE**

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching-Lien (*appointed on 7 July 2014*)

Leung Hiu Kong, Edward (*resigned on 7 July 2014*)

### **REMUNERATION COMMITTEE**

Kwok Chi Sun, Vincent

Hsu Tung Chi

Chang Ching-Lien (*appointed on 7 July 2014*)

Leung Hiu Kong, Edward (*resigned on 7 July 2014*)

### **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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### **PRINCIPAL BANKER**

Standard Chartered Bank (Hong Kong) Limited

### **WEBSITE ADDRESS**

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

### **STOCK CODE**

8175

## INTERIM RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") 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 2014 together with the comparative figures for the corresponding periods in 2013, 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 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Continuing operations</b>					
Turnover	4	25,373	8,238	51,748	12,725
Cost of services rendered and cost of goods sold		(6,101)	(106)	(13,387)	(642)
Gross profit		19,272	8,132	38,361	12,083
Other income		252	244	507	3,428
Administrative and other expenses		(9,740)	(4,845)	(15,337)	(9,903)
Finance costs		-	-	(1)	(66)
Share of results of associates		-	67	-	999
<b>Profit before taxation from continuing operations</b>	6	9,784	3,598	23,530	6,541
Income tax expense	7	(1,668)	(922)	(6,164)	(968)
<b>Profit for the period from continuing operations</b>		8,116	2,676	17,366	5,573
<b>Discontinued operations</b>					
Profit for the period from discontinued operations (net of tax)	3	-	66	-	193
<b>Profit for the period</b>		8,116	2,742	17,366	5,766

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2014

Note	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Other comprehensive income for the period</b>				
Foreign currency translation differences	145	-	(291)	-
<b>Total comprehensive income for the period</b>	<b>8,261</b>	2,742	<b>17,075</b>	5,766
<b>Profit attributable to:</b>				
<b>Equity holders of the Company</b>				
- Continuing operations	6,612	1,857	13,501	2,882
- Discontinued operations	-	33	-	99
	<b>6,612</b>	1,890	<b>13,501</b>	2,981
<b>Non-controlling interests</b>				
- Continuing operations	1,504	819	3,865	2,691
- Discontinued operations	-	33	-	94
	<b>1,504</b>	852	<b>3,865</b>	2,785
	<b>8,116</b>	2,742	<b>17,366</b>	5,766
<b>Total comprehensive income attributable to:</b>				
<b>Equity holders of the Company</b>				
- Continuing operations	6,630	1,857	13,209	2,882
- Discontinued operations	-	33	-	99
	<b>6,630</b>	1,890	<b>13,209</b>	2,981

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Non-controlling interests</b>					
– Continuing operations		1,631	819	3,866	2,691
– Discontinued operations		–	33	–	94
		1,631	852	3,866	2,785
		8,261	2,742	17,075	5,766
<b>Dividends</b>	8	–	–	–	–
<b>Basic earnings per share</b>	9	HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents
– Continuing operations		–	HK0.00 cents	–	HK0.00 cents
– Discontinued operations		HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents
<b>Diluted earnings per share</b>	9	HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents
– Continuing operations		–	HK0.00 cents	–	HK0.00 cents
– Discontinued operations		HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

Note	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,759	6,384
Intangible assets	3,900	7,292
Goodwill	219,789	219,789
Loans to and due from jointly controlled entities	824	345
	<b>230,272</b>	233,810
<b>CURRENT ASSETS</b>		
Accounts and other receivables	89,777	74,269
Bank balances and cash	28,604	21,451
	<b>118,381</b>	95,720
<b>CURRENT LIABILITIES</b>		
Accounts and other payables	27,752	34,884
Tax payable	17,085	11,738
	<b>44,837</b>	46,622
<b>NET CURRENT ASSETS</b>	<b>73,544</b>	49,098
<b>NET ASSETS</b>	<b>303,816</b>	282,908
<b>CAPITAL AND RESERVES</b>		
Share capital	33,448	33,448
Reserves	252,479	235,437
Equity attributable to equity holders of the Company	<b>285,927</b>	268,885
Non-controlling interests	17,889	14,023
<b>TOTAL EQUITY</b>	<b>303,816</b>	282,908

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2014

	Attributable to equity holders of the Company																					
	Reserves											Non-controlling interests										
	Share capital	Share premium	Special reserve	Capital reserves	Warrant reserve	Convertible bonds reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total reserves	Subtotal		Total									
														HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
															(Note b)	(Note c)						
<b>2013</b>																						
At 1 January 2013	122,979	173,515	10,084	-	276	1,279	178	12,251	(248,638)	(51,055)	71,924	(20,820)	51,104									
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	-	-	-	2,981	2,981	2,981	2,785	5,766									
<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 (Note a)	(98,383)	98,383	-	-	-	-	-	-	-	98,383	-	-	-									
At 30 June 2013	33,005	468,555	10,084	-	276	-	178	12,251	(245,657)	245,687	278,692	(18,035)	260,657									
<b>2014</b>																						
At 1 January 2014	33,448	476,137	10,084	(20,749)	276	-	506	-	(230,817)	235,437	268,885	14,023	282,908									
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	-	(292)	-	13,501	13,209	13,209	3,866	17,075									
<b>Transaction with equity holders</b>																						
Issue options	-	-	-	-	-	-	-	3,833	-	3,833	3,833	-	3,833									
At 30 June 2014	33,448	476,137	10,084	(20,749)	276	-	214	3,833	(217,316)	252,479	285,927	17,889	303,816									

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.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2014

	<b>Six months ended 30 June 2014 (Unaudited) HK\$'000</b>	Six months ended 30 June 2013 (Unaudited) HK\$'000
Net cash from (used in) from operating activities	<b>7,421</b>	(6,458)
Net cash from investing activities	<b>23</b>	123
Net cash inflow/(outflow) before financing activities	<b>7,444</b>	(6,335)
Net cash from financing activities	–	104
Net increase (decrease) in cash and cash equivalents	<b>7,444</b>	(6,231)
Cash and cash equivalents at beginning of the period	<b>21,451</b>	17,528
Effect of exchange rate fluctuations, net	<b>(291)</b>	–
Cash and cash equivalents at end of the period	<b>28,604</b>	11,297



## 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 2014 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 2013, 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 2013 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 results and net cash flows of the discontinued operations for the period ended 30 June 2014 and 2013 are summarised as follows:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Turnover	–	5,385
Cost of services rendered and cost of goods sold	–	(2,414)
Gross profit	–	2,971
Other income	–	168
Administrative and other expenses	–	(2,862)
Profit before taxation	–	277
Income tax expense	–	(84)
Profit from discontinued operations	–	193

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Net cash flows		
Operating activities	–	677
Investing activities	–	(50)
Total cash flows	–	627

#### 4. TURNOVER

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Continuing operations</b>				
e-Licensing business				
– Entertainment	14,267	6,910	22,540	11,397
e-Licensing business				
– Sports	11,106	1,328	29,208	1,328
	25,373	8,238	51,748	12,725
<b>Discontinued operations</b>				
e-Learning business	–	2,784	–	5,385
<b>Total revenue</b>	<b>25,373</b>	<b>11,022</b>	<b>51,748</b>	<b>18,110</b>

## 5. 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

	2014 (Unaudited)			2013 (Unaudited)				
	Continuing operations			Continuing operations		Discontinued operations		
	e-Licensing business- Entertainment HK\$'000	e-Learning business- Sports HK\$'000	Consolidated HK\$'000	e-Licensing business- Entertainment HK\$'000	e-Learning business- Sports HK\$'000	Sub-total HK\$'000	e-Learning business HK\$'000	Consolidated HK\$'000
<b>Segment revenue</b>								
Sale to external customers	22,540	29,208	51,748	11,397	1,328	12,725	5,385	18,110
Loan interest income from a jointly controlled entity	467	-	467	467	-	467	-	467
	<b>23,007</b>	<b>29,208</b>	<b>52,215</b>	<b>11,864</b>	<b>1,328</b>	<b>13,192</b>	<b>5,385</b>	<b>18,577</b>
<b>Segment results</b>	<b>15,281</b>	<b>16,840</b>	<b>32,121</b>	<b>10,930</b>	<b>-</b>	<b>10,930</b>	<b>277</b>	<b>11,207</b>
Unallocated income			40					10
Unallocated expenses			(8,631)					(5,332)
Unallocated finance costs			-					(66)
Share of results of associates			-					999
Profit before taxation			<b>23,530</b>					6,818
Taxation			<b>(6,164)</b>					<b>(1,052)</b>
Profit for the period			<b>17,366</b>					<b>5,766</b>

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.

## 5. SEGMENT INFORMATION (CONTINUED)

### (b) Segment assets and liabilities

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
	Continuing operations			Continuing operations		
	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000
<b>Segment assets</b>	<b>49,081</b>	<b>78,733</b>	<b>127,814</b>	21,454	72,485	93,939
Goodwill	113,240	106,549	219,789	113,240	106,549	219,789
Due from jointly controlled entities	824	-	824	345	-	345
Unallocated assets			226			15,457
Consolidated total assets			<b>348,653</b>			<b>329,530</b>
<b>Segment liabilities</b>	<b>17,004</b>	<b>24,797</b>	<b>41,801</b>	19,004	23,668	42,672
Unallocated liabilities			3,036			3,950
Consolidated total liabilities			<b>44,837</b>			<b>46,622</b>

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.

## 5. SEGMENT INFORMATION (CONTINUED)

### (c) Other segment information Six months ended 30 June

	2014 (Unaudited)			2013 (Unaudited)			Discontinued operations	
	Continuing operations			Continuing operations				
	e-Licensing business - Entertainment	e-Learning business - Sport	Consolidated	e-Licensing business - Entertainment	e-Licensing business - Sport	Sub-total	e-Learning business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information</b>								
Amortisation of intangible assets	400	2,992	3,392	367	-	367	-	367
Depreciation of property, plant and equipment	503	122	625	460	-	460	16	476
Capital expenditure	-	-	-	24	-	24	50	74
Write-back on allowance for doubtful debts on amount due from a jointly controlled entity	-	-	-	2,950	-	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
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Audited) HK\$'000
- Hong Kong	18,974	5,385	198,406	198,406
- PRC	32,774	12,725	31,042	35,059
	51,748	18,110	229,448	233,465

## 6. PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Amortisation of intangible assets	1,696	183	3,392	367
Depreciation	284	230	625	460
Write-back on allowance for doubtful debt on amount due from a jointly controlled entity	-	(2,950)	-	(2,950)
<b>Discontinued operations</b>				
Depreciation	-	5	-	16

## 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Continuing operations</b>				
Current				
- Hong Kong	667	-	2,542	-
- PRC	1,001	922	3,622	968
<b>Discontinued operations</b>				
Current				
- Hong Kong	-	59	-	84
	1,668	981	6,164	1,052



## 8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months and six months ended 30 June 2014 (2013: Nil).

## 9. 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	6,612	1,890	13,501	2,981

	Number of shares		Number of shares	
	2014	2013	2014	2013
Shares				
Weighted average number of ordinary shares in issue during the period	3,344,853,349	3,141,210,892	3,344,853,349	2,806,574,159
Basic earnings per share	HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents

## 9. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	6,612	1,890	13,501	2,981
	Number of shares		Number of shares	
	2014	2013	2014	2013
Shares				
Weighted average number of ordinary shares in issue during the period	3,344,853,349	3,141,210,892	3,344,853,349	2,806,574,159
Effect of dilutive potential ordinary shares:				
Warrants	-	-	3,861,310	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	3,344,853,349	3,141,210,892	3,348,714,659	2,806,574,159
Diluted earnings per share	HK0.20 cents	HK0.06 cents	HK0.40 cents	HK0.11 cents

## 10. ACCOUNTS AND OTHER RECEIVABLES

Note	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Accounts receivable	<b>40,835</b>	42,032
Deposits, prepayments and other receivables	<b>23,535</b>	6,027
Prepayment to a licensor and a consultant	<b>8,605</b>	8,590
Due from a director of subsidiaries of the Company (i)	<b>14,229</b>	7,932
Due from a related Company (i)	<b>2,518</b>	3,096
Due from directors (i)	<b>55</b>	6,592
Other receivables	<b>48,942</b>	32,237
	<b>89,777</b>	74,269

An ageing analysis of the accounts receivable is as follows:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Current	<b>16,163</b>	17,045
Less than 1 month past due	<b>10,775</b>	14,275
1 month to 3 months past due	<b>4,386</b>	5,254
Over 3 months past due	<b>9,511</b>	5,458
	<b>24,672</b>	24,987
	<b>40,835</b>	42,032

(i) **Due from a director of subsidiaries of the Company/a related company/directors**

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.

## 11. ACCOUNTS AND OTHER PAYABLES

	Note	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Accounts payable	(i)	<b>12,439</b>	14,883
Deferred income, accrued charges and other payables		<b>11,712</b>	11,814
Due to directors	(ii)	<b>3,256</b>	2,135
Due to an individual	(iii)	–	5,707
Due to a jointly venture	(iv)	<b>345</b>	345
		<b>27,752</b>	34,884

### (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, 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

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.

### (iv) Due to a joint venture

The amount due is unsecured, interest free and has no fixed repayment term. The carrying value of the amount due to a joint venture approximates its fair value.

## 12. 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:

	<b>30 June 2014 (Unaudited) HK\$'000</b>	31 December 2013 (Audited) HK\$'000
Within one year	<b>991</b>	1,092
In the second to fifth years inclusive	<b>2,932</b>	3,911
Over five years	<b>2,136</b>	2,689
	<b>6,059</b>	7,692

## 13. EVENTS AFTER REPORTING PERIOD

On 7 August 2014, the Company and Chance Talent Management Limited ("Subscriber I") entered into the Subscription Agreement I pursuant to which the Subscriber I has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 175,000,000 at the Subscription Price of HK\$0.12 per Subscription Share.

The Subscriber I is a limited liability company incorporated in the British Virgin Islands and is principally engaged in investment holding business. It is indirectly and wholly-owned by China Construction Bank International (Holdings) Limited ("CCBI"). CCBI is an investment services flagship which is indirectly and wholly owned by China Construction Bank Corporation, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

On 7 August 2014, the Company and the Most Rich Investments Limited ("Subscriber II") entered into the Subscription Agreement II pursuant to which the Subscriber II has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 120,000,000 Subscription Shares II at the Subscription Price of HK\$0.12 per Subscription Share. Most Rich Investments Limited is also principally engaged in investment holding business.

On 11 August 2014 (after trading hours), 北京聯易匯眾科技有限公司 (Beijing Lian Yi Hui Zong Technology Company Limited) (the "Purchaser"), a wholly owned subsidiary of the Company, and Ms. Cao Yuqin (the "Vendor") entered into a Memorandum of Understanding ("MOU") in Chinese in relation to the acquisition of 51% of the equity interest and business interest in 北京宏業華泰諮詢中心 (the "Target Group"). The total Consideration is a sum of approximately HK\$55,080,000 comprising of the following: 1) a sum of HK\$1,000,000 payable by the Purchaser to the Vendor or her nominee(s) on the completion date, of which HK\$500,000 has been paid as refundable earnest money upon the execution of the MOU, 2) 36,053,333 Consideration Shares to be allotted and issued at HK\$0.15 (the "Issue Price") (which are equivalent to approximately HK\$5,408,000) and 3) Subject to Profit Guarantee, a maximum of 324,480,000 Consideration Shares to be allotted and issued at the Issue Price (which are equivalent to approximately \$48,672,000). The Target Group is a sole proprietor registered under the laws of the PRC with unlimited liability and is principally engaged in the business of property planning, building consultancy, marketing and operational consultancy services to landlords.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 June 2014, the Group recorded a turnover from continuing operations of approximately HK\$51,748,000 (30 June 2013: HK\$12,725,000) and a profit attributable to equity holders of the Company from continuing operations of approximately HK\$13,501,000 (30 June 2013: HK\$2,882,000). The e-Licensing business includes both the Sports and Entertainment Segment.

#### I. e-Licensing Business: Sports Segment

The Sports Segment includes the athlete management and Sports content licensing business.

During the six months ended 30 June 2014, the Sports Segment recorded a turnover of approximately HK\$29,208,000 (30 June 2013: HK\$1,328,000). The increase in turnover from the Sports Segment is primarily attributable to two reasons: (1) the acquisition of the additional 40% equity interest in Socle Limited (“Socle”) in October of 2013 and (2) the acquisition of the entire equity interest of Nova Dragon Limited (“Nova Dragon”) in April of 2013.

The athlete management business is principally engaged in assisting professional athletes, such as Jeremy Lin (林書豪), an NBA player, with marketing and promotional activities worldwide. More specifically, the Group works with professional athletes in obtaining marketing contracts and sponsorships from interested parties.

The Sports content licensing business is principally engaged in the licensing of sports content. The Group is one of the foremost providers of sports-related content in the PRC with licenses such as the China Football Association Super League, AFC Champions League, East Asian Football Championship and many more.

## II. e-Licensing Business: Entertainment Segment

The Entertainment segment includes the music and movie/television content licensing business and investments/cooperations in various entertainment projects such as movies, Broadway productions, and the development of competitive gaming.

For the six months ended 30 June 2014, the entertainment segment recorded a turnover of approximately HK\$22,540,000 (30 June 2013: approximately HK\$11,397,000). The increase in turnover is primarily attributable to the acquisition of Orient Digital Entertainment Company Limited (“ODE”) in April of 2013.

The Group has been the licensing agent for Universal Music Group, Warner Music Group, and Sony Music Entertainment 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. The Group established an aggregate of 70 local ringtone products in numerous provinces and accumulated more than 80,000 long-term subscribers. Beginning in May of 2013, the Group obtained music rights from Golden Typhoon Group – a leading Chinese music label. 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 songs. 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 other records produced worldwide.

The Entertainment segment also includes the promotion, sales and distribution of movies and television licensed content worldwide. In addition, the Group is also engaged in the production of movies, television shows and Broadway musicals. In the first quarter of 2014, ODE invested in the movie “軍中樂園” starring first-tier actors 阮經天和 陳意涵 and directed by the widely-acclaimed 鈕承澤. In the second quarter of 2014, ODE also invested in a movie starring 豬哥亮, 李東學 and 林心如 estimating it to be in theaters in February 2015. Furthermore, in November of 2013, the Company alongside KEAHORAL Technology Inc., China Interactive Sports, China Unicom, Phoenix New Media, Galloping Horse Media and OGN Television Station under the Korean Conglomerate CJ, entered into a strategic alliance to promote and develop the competitive cyber gaming industry in China. More recently, the Company has been working closely with KEAHORAL Technology in packaging and marketing professional gaming teams along with the promotion of the competitions. The Company anticipates aggressive progress in this particular segment of the entertainment business going forward in 2014.



## Outlook

The Group will continue its efforts in further developing its businesses in China's fast growing cultural, entertainment, and sports areas. 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 other cultural related investments.

## FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group recorded a turnover from continuing operation of HK\$51,748,000 from continuing operations as compared to HK\$12,725,000 in the same period in 2013. The increase in turnover is primarily attributable to turnover contributions from acquired entities such as Socle, ODE and Nova Dragon. As a result of acquiring a majority stake in Socle, the Company began consolidating its revenue at the end of 2013.

The Group reported a net profit attributable to equity holders of approximately HK\$13,501,000 for the six months ended 30 June 2014, compared to a net profit of approximately HK\$2,981,000 in the corresponding period of last year. This increase is due to higher profit margins from the acquired entities discussed above as well as increased turnover contributions resulting from these acquisitions.

Administrative and other expenses from continuing operations for the six months ended 30 June 2014 amounted to approximately HK\$15,337,000 (30 June 2013: approximately HK\$9,903,000), representing an increase of approximately 55% compared with the same period last year. The increase is primarily due to the acquisition of Socle in late 2013.



## Liquidity and financial resources

As at 30 June 2014, the Group had current assets of approximately HK\$118,381,000 (31 December 2013: HK\$95,720,000) and current liabilities of approximately HK\$44,837,000 (31 December 2013: HK\$46,622,000). The current assets were comprised mainly of cash and bank balances of HK\$28,604,000 (31 December 2013: HK\$21,451,000) together with accounts and other receivables of HK\$89,777,000 (31 December 2013: HK\$74,269,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$27,752,000 (31 December 2013: HK\$34,884,000). 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 2014, 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 2014, the group had no material contingent liabilities.

## Employee information

As at 30 June 2014, the Group had 46 (31 December 2013: 47) 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 11 August 2014 (after trading hours), 北京聯易匯眾科技有限公司 (Beijing Lian Yi Hui Zong Technology Company Limited) (the "Purchaser"), a wholly owned subsidiary of the Company, and the Vendor entered into a MOU in Chinese in relation to the Proposed Acquisition of 51% of the equity interest and business interest in 北京宏業華泰諮詢中心 (Beijing Hong Ye Hua Tai Zi Xun Zhong Xin) (the "Target Group") for a total Consideration of HK\$55,080,000. The Target Group is a sole proprietor registered under the laws of the PRC with unlimited liability and is principally engaged in the business of property planning, building consultancy, marketing and operational consultancy services to landlords.

The Board believes that this acquisition has synergies that are highly beneficial for the Company. The Target Group is an experienced real estate planning and consulting company which has exponential room for growth when coupled with the Company's cultural focus. In recent years, the Chinese government has emphasized its support for the growth of China's cultural industry. As a result, there has been increased demand for cultural based real estate projects all throughout China. After completion of the acquisition, the Company will be working extensively with the Target Group in planning, developing and marketing cultural real estate in China. This will strengthen and diversify the Company's overall business within its cultural emphasis and attract additional investments and business opportunities to increase Shareholder return.

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

As at 30 June 2014, 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	73,500,000 (L)	2.2%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	54,800,000 (L) 72,984,893 (L)	1.6% 2.2%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	2.2%
Mr. Pang Hong Tao	Beneficial	1,000,000 (L)	0.02%
Mr. Leung Hiu Kong, Edward (Resigned on 07/07/2014)	Beneficial	500,000 (L)	0.01%

(L) denotes long position

Note:

- Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 73,500,000 shares. Daily Technology Company Limited ("Daily Technology"), which is beneficially owned as to 100% 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

<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	33,005,104 (L)	0.99%
Mr. Hsu Tung Chi	Beneficial	33,005,104 (L)	0.99%

*(L) denotes long position*

Save as disclosed above, as at 30 June 2014, 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 2014	Exercised during the period	Outstanding at 30 June 2014	Exercise price	Grant date	Exercisable period
				HK\$		
<b>Directors</b>						
Mr. Hsu Tung Sheng	-	-	33,005,104	0.1143	10/06/2014	10/06/2014-09/06/2017
Mr. Hsu Tung Chi	-	-	33,005,104	0.1143	10/06/2014	10/06/2014-09/06/2017
<b>Employees</b>	-	-	264,040,832	0.1143	10/06/2010	10/06/2014-09/06/2017
	-	-	330,051,040			

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 June 2014, 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)	14.88%
Ms. Xu Ziqi (Note 1)	Deemed	497,698,238 (L)	14.88%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	497,698,238 (L)	14.88%

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 2014, 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 2014.

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

During the period ended 30 June 2014, 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 2014.



## **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 2014, 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 Bye-laws or the laws of Bermuda, 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 2014, 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 7 July 2014, Mr. Leung Hiu Kong, Edward resigned as an independent non-executive Director and ceased to be a member of the Audit Committee and Mr. Chang Ching-Lien 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 2014 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 and Mr. Pang Hong Tao. The independent non-executive directors are Mr. Wong Tak Shing, Mr. Kwok Chi Sun, Vincent and Mr. Chang Ching-Lien.

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

Hong Kong, 14 August 2014