



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)

Third Quarterly Report 2014



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.

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

STOCK CODE

8175

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") 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 2014 together with the comparative unaudited figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Continuing operations					
Turnover	4	23,255	13,244	75,003	25,969
Cost of services rendered and cost of good sold		(6,406)	(4,293)	(19,793)	(4,935)
Gross profit		16,849	8,951	55,210	21,034
Other income		249	881	756	4,309
Gain on disposal of subsidiaries		-	567	-	567
Administrative and other expenses		(8,187)	(7,065)	(23,524)	(16,968)
Finance costs		-	-	(1)	(66)
Share of results of associates		-	942	-	1,941
Profit before taxation		8,911	4,276	32,441	10,817
Income tax expense	5	(1,366)	(1,213)	(7,530)	(2,181)
Profit from continuing operations		7,545	3,063	24,911	8,636
Discontinued operations					
Profit from discontinued operations (net of tax)		-	45	-	238
Profit for the period		7,545	3,108	24,911	8,874

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other comprehensive income for the period					
Currency translation differences		103	–	(188)	–
Total comprehensive income for the period		7,648	3,108	24,723	8,874
Profit attributable to:					
Equity holders of the Company					
– Continuing operations		6,503	2,992	20,004	5,874
– Discontinued operations		–	22	–	121
		6,503	3,014	20,004	5,995
Non-controlling interests					
– Continuing operations		1,042	71	4,907	2,762
– Discontinued operations		–	23	–	117
		1,042	94	4,907	2,879
		7,545	3,108	24,911	8,874
Total comprehensive income attributable to:					
Equity holders of the Company					
– Continuing operations		6,605	2,992	19,814	5,874
– Discontinued operations		–	22	–	121
		6,605	3,014	19,814	5,995
Non-controlling interests					
– Continuing operations		1,043	71	4,909	2,762
– Discontinued operations		–	23	–	117
		1,043	94	4,909	2,879
		7,648	3,108	24,723	8,874
Dividends	6	–	–	–	–
Basic earnings per share	7				
– Continuing operations		HK0.23 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents
– Discontinued operations		HK0.00 cents	HK0.00 cents	HK0.00 cents	HK0.00 cents
		HK0.23 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents
Diluted earnings per Share					
– Continuing operations		HK0.22 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents
– Discontinued operations		HK0.00 cents	HK0.00 cents	HK0.00 cents	HK0.00 cents
		HK0.22 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2014

	Attributable to equity holders of the Company												
	Reserves											Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital reserve	Warrant reserve	Convertible bonds reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total reserves	Subtotal		
HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
2013													
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
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	-	-	5,995	5,995	5,995	2,879	8,874
Transaction with equity holders													
Issue of consideration shares	7,559	190,799	-	-	-	-	-	-	-	-	190,799	198,358	198,358
Conversion of convertible bonds	850	5,658	-	-	-	(1,279)	-	-	-	4,579	5,429	-	5,429
Capital reorganisation (Note a)	(98,383)	98,383	-	-	-	-	-	-	-	98,383	-	-	-
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,762)	(1,762)
At 30 September 2013	33,005	468,555	10,084	-	276	-	178	12,251	(242,643)	248,701	281,706	(19,703)	262,003
2014													
At 1 January 2014	33,448	476,137	10,084	(20,749)	276	-	506	-	(230,817)	235,437	268,885	14,023	282,908
Profit for the period and total comprehensive income for the period	-	-	-	-	-	-	(190)	-	20,004	19,814	19,814	4,909	24,723
Transactions with equity holders													
Issue of share option	-	-	-	-	-	-	-	3,833	-	3,833	3,833	-	3,833
Issue of shares (Note d)	2,950	32,450	-	-	-	-	-	-	-	32,450	35,400	-	35,400
At 30 September 2014	36,398	508,587	10,084	(20,749)	276	-	316	3,833	(210,813)	291,534	327,932	18,932	346,864

Notes:

- (a) 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.

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- (b) The special reserve represents the difference between the nominal amount of shares and share premium of the subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.
 - (c) The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.
 - (d) On 7 August 2014, the Company and Chance Talent Management Limited entered into a subscription agreement pursuant to which Chance Talent Management Limited conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 175,000,000 subscription shares at the subscription price of HK\$0.12 per subscription share. The shares were issued on 29 September 2014 and the amount has been settled on 3 October 2014.

On 7 August 2014, the Company and Most Rich Investment Limited entered into a subscription agreement pursuant to which Most Rich Investment Limited conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 120,000,000 subscription shares at the subscription price of HK\$0.12 per subscription share. The shares were issued on 29 September 2014 and the amount has been settled on 6 October 2014.



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 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 the disposal date have been presented as discontinued operations in this report.

The results of the discontinued operation for the period ended 30 September 2014 and 2013 are summarised as follows:

	Nine months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Turnover	–	6,106
Cost of services rendered and cost of goods sold	–	(2,800)
Gross profit	–	3,306
Other income	–	158
Administrative and other expenses	–	(3,119)
Profit before taxation	–	345
Income tax expense	–	(107)
Profit attribute to discontinued operation	–	238

4. TURNOVER

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

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Continuing operations				
e-Licensing business				
– Entertainment	12,784	6,884	35,324	18,281
e-Licensing business				
– Sports	10,471	6,360	39,679	7,688
	23,255	13,244	75,003	25,969
Discontinued operations				
e-Learning business	–	721	–	6,106
Total revenue	23,255	13,965	75,003	32,075

5. 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 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Continuing operations				
Current				
– Hong Kong	1,348	–	3,890	–
– PRC	18	1,213	3,640	2,181
Discontinued operations				
Current				
– Hong Kong	–	23	–	107
	1,366	1,236	7,530	2,288

6. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2014 (2013: Nil).

7. 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 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	7,545	3,063	24,911	8,636

	Number of shares		Number of shares	
	2014	2013	2014	2013
Shares				
Weighted average number of ordinary shares in issue during the period	3,351,266,392	3,300,510,492	3,347,014,521	2,973,028,894
Basic earnings per share	HK0.23 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents

(b) Diluted earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	7,545	3,063	24,911	8,636
	Number of shares		Number of shares	
	2014	2013	2014	2013
Shares				
Weighted average number of ordinary shares in issue during the period	3,351,266,392	3,300,510,492	3,347,014,521	2,973,028,894
Effect of dilutive potential ordinary shares:				
Options	22,817,979	-	18,558,551	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	3,374,084,371	3,300,510,492	3,365,573,072	2,973,028,894
Diluted earnings per share	HK0.22 cents	HK0.09 cents	HK0.74 cents	HK0.20 cents

8. EVENTS AFTER REPORTING PERIOD

On 10 November 2014, Sky Asia Investments Limited ("Sky Asia") an indirect wholly owned subsidiary of the Company, has entered into an undertaking agreement to which the undertaking parties undertake to procure Beijing Orient Liheng Television Media Co., Ltd. ("Liheng") and themselves to enter into the contractual arrangement with Beijing Lianyi Huizhong Technology Co., Ltd., a direct wholly owned subsidiary of Sky Asia, at an aggregate consideration of HK\$24,000,000. Liheng is engaged in the radio and television program production and operating sector. The principal business of Liheng is the production of television drama series or films and agency business. Liheng possesses a valid television program production license.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2014, the Group recorded a turnover from continuing operations of approximately HK\$75,003,000 (30 September 2013: HK\$25,969,000) and a profit attributable to equity holders of the Company from continuing operations of approximately HK\$20,004,000 (30 September 2013: HK\$5,995,000). 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 nine months ended 30 September 2014, the Sports Segment recorded a turnover of approximately HK\$39,679,000 (30 September 2013: HK\$7,688,000). 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 nine months ended 30 September 2014, the Entertainment Segment recorded a turnover of approximately HK\$35,324,000 (30 September 2013: approximately HK\$18,281,000). The increase in turnover is primarily attributable to the acquisition of Orient Digital Entertainment Company Limited (“ODE”) in April of 2013.

Since May of 2013, the Group has obtained music rights from Golden Typhoon Group – a leading Chinese music label in the Greater China Region. 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 2014, ODE sold its stake in previously invested movies and Broadway musicals. The sale of these positions generated profit for the Company. Also, the Company continues to work 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 to further develop 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 nine months ended 30 September 2014, the Group recorded a turnover from continuing operation of HK\$75,003,000 from continuing operations as compared to HK\$25,969,000 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\$20,004,000 for the nine months ended 30 September 2014, compared to a net profit of approximately HK\$5,874,000 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 nine months ended 30 September 2014 amounted to approximately HK\$23,524,000 (30 September 2013: approximately HK\$16,968,000), representing an increase of approximately 39% compared with the same period last year. The increase is primarily due to the acquisition of Socle in late 2013.



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 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. Please refer to the announcement dated 12 August 2014 for further information.

On 10 November 2014, Sky Asia, an indirect wholly owned subsidiary of the Company, has entered into an undertaking agreement to which the undertaking parties undertake to procure Liheng and themselves to enter into the Contractual Arrangement with Lianyi Huizhong, a direct wholly owned subsidiary of Sky Asia, at an aggregate consideration of HK\$24,000,000. Liheng is engaged in the radio and television program production and operating sector. The principal business of Liheng is the production of television drama series or films and agency business. Liheng possesses a valid television program production license. Please refer to the announcement dated 11 November 2014 for further information.

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

As at 30 September 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)	2.0%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	54,800,000 (L) 72,984,893 (L)	1.5% 2.0%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	2.0%
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:

1. 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

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	33,005,104 (L)	0.91%
Mr. Hsu Tung Chi	Beneficial	33,005,104 (L)	0.91%

(L) denotes long position

Save as disclosed above, as at 30 September 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 27 March 2013 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	Exercise price	Grant date	Exercisable period
			at 30 September 2014			
<i>HK\$</i>						
Directors						
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
Employees	-	-	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 September 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

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)	13.68%
Ms. Xu Ziqi (Note 1)	Deemed	497,698,238 (L)	13.68%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	497,698,238 (L)	13.68%

Notes:

1. 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 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 September 2014.

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

During the period ended 30 September 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 nine months ended 30 September 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 September 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 September 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 quarterly results for the nine months ended 30 September 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 November 2014