



**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)

First Quarterly Report 2015



## **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

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

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching Lien

### **AUDIT COMMITTEE**

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching Lien

### **REMUNERATION COMMITTEE**

Kwok Chi Sun, Vincent

Hsu Tung Chi

Chang Ching Lien

### **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

## FIRST 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 ended 31 March 2015 together with the comparative figures for the corresponding period in 2014, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Note	Three Months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	4	25,873	26,375
Cost of services rendered and cost of good sold		(8,140)	(7,286)
Gross profit		17,733	19,089
Other income		–	255
Administrative and other expenses		(6,660)	(5,597)
Finance costs		(1)	(1)
<b>Profit before taxation</b>		<b>11,072</b>	13,746
Income tax expense	5	(2,704)	(4,496)
<b>Profit for the period</b>		<b>8,368</b>	9,250

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Note	Three Months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Other comprehensive income for the period</b>			
Foreign currency translation differences		237	(436)
Total comprehensive income for the period		8,605	8,814
<b>Profit attributable to:</b>			
– Equity holders of the Company		6,772	6,889
– Non-controlling interest		1,596	2,361
		8,368	9,250
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		6,932	6,579
– Non-controlling interest		1,673	2,235
		8,605	8,814
<b>Dividends</b>	6	–	–
<b>Earnings per share</b>			
– Basic	7	HK0.19 cents	HK0.21 cents
– Diluted		HK0.19 cents	HK0.20 cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	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	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note a)	(Note b)									
<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>	-	-	-	-	-	-	(310)	-	6,889	6,579	6,579	2,235	8,814
At 31 March 2014	33,448	476,137	10,084	(20,749)	276	-	196	-	(223,928)	242,016	275,464	16,258	291,722
<b>2015</b>													
At 1 January 2015	36,398	508,587	10,084	(20,749)	276	-	(41)	7,782	(205,927)	300,012	336,410	21,274	357,684
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	-	160	-	6,772	6,932	6,932	1,673	8,605
<b>Transactions with equity holders</b>													
Equity-settled share based payment	-	-	-	-	-	-	-	1,823	-	1,823	1,823	-	1,823
At 31 March 2015	36,398	508,587	10,084	(20,749)	276	-	119	9,605	(199,155)	308,767	345,165	22,947	368,112

Note:

- 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 took place in 2003.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.

# 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 Company and its subsidiaries (together 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 ("HKFRS"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") 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 condensed 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 2014 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. ACQUISITION OF SUBSIDIARIES

北京東方力恒影視傳媒有限公司 (**unofficial English name as Beijing Orient Liheng Television Media Co. Ltd., "Liheng"**)

On 18 February 2015, the Company completed the acquisition of Liheng through contractual arrangements allowing the Company to have the right to consolidate the financial results of Liheng as if it were a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was HK\$24,000,000. Liheng is principally engaged in the business of television show production, the licensing of television related content and the management of actors. The purpose of this acquisition was to diversify and enhance the Company's business segments.

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

	<b>(unaudited)</b> <b>HK\$'000</b>
<hr/>	
<b>Consideration:</b>	
Cash	24,000
<hr/>	
	<b>(unaudited)</b> <b>HK\$'000</b>
<hr/>	
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Property, plant and equipment	48
Inventory	10,480
Accounts and other receivables	2,440
Bank balances and cash	89
Intangible assets	4,128
Accounts and other payables	(4,387)
<hr/>	
<b>Total identifiable net assets</b>	12,798
<b>Goodwill arising on acquisition</b>	11,202
<hr/>	
	24,000
<hr/>	
	<b>(unaudited)</b> <b>HK\$'000</b>
<hr/>	
<b>Net cash flow on acquisition of subsidiary:</b>	
Net cash acquired from the subsidiary	89
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The Company paid HK\$24,000,000 in cash as consideration for the acquisition of Liheng. The transaction costs of HK\$735,000 have been excluded from the consideration transferred and included in administrative and other expenses in the consolidated statement of comprehensive income.

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

Since the acquisition, the acquired subsidiary has contributed no revenue and a loss of HK\$52,000 to the Group.

If the business combinations effected during the year had taken place at the beginning of the year, the revenue and profit for the Group would have been HK\$25,873,000 and HK\$8,186,000, respectively.



#### 4. TURNOVER

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

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
e-Licensing business – Entertainment	14,953	8,273
e-Licensing business – Sports	10,920	18,102
<b>Total revenue</b>	<b>25,873</b>	26,375

#### 5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current		
– Hong Kong	1,204	1,875
– PRC	1,500	2,621
	<b>2,704</b>	4,496

#### 6. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2015 (31 March 2014: 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 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	6,772	6,889

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the period	3,639,853,349	3,344,853,349
Basic earnings per share	HK0.19 cents	HK0.21 cents

### (b) Diluted earnings per share

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	6,772	6,889

	<b>Number of shares</b>	
	<b>2015</b>	2014
Shares		
Weighted average number of ordinary shares in issue during the period	<b>3,639,853,349</b>	3,344,853,349
Effect of dilutive potential ordinary shares:		
Warrants	<b>19,271,524</b>	43,101,641
Weighted average number of shares for the purpose of calculating diluted earnings per share	<b>3,659,124,873</b>	3,387,954,990
Diluted earnings per share	<b>HK0.19 cents</b>	HK0.20 cents

## 8. EVENTS AFTER REPORTING PERIOD

On 8 April 2015, the Company entered into a memorandum of understanding to acquire Dream World Holdings Limited (the "Target Company"). The Target Company, is a company incorporated in the Cayman Islands with limited liability, and is principally engaged in the business of operating large film-based cultural parks and providing new methods to enhance the movie viewing experience. In the future, the Target Company will become an innovative cinema service provider and operator. The Target Company is experienced in the planning, operating and managing of cultural and tourism focused projects and is currently in the process of managing the development of a movie-focused project. As the Company's operations include investing in the production of movies and developing the cultural industry, the Board believes that there are significant synergies to be gained by acquiring the Target Company. The proposed acquisition will strengthen and diversify the Company's overall business and further increase the Company's presence in the cultural industry.

On 27 April 2015, Ms. Cao Yuqin (the "Vendor") and 北京聯易匯眾科技有限公司 (unofficial English name as Beijing Lian Yi Hui Zhong Technology Company Limited, the "Purchaser") entered into a termination deed whereby the parties have mutually agreed to terminate the memorandum of understanding dated 11 August 2014 with immediate effect. The memorandum of understanding was to acquire 北京宏業華泰諮詢中心 (unofficial English name as Beijing Hong Ye Hua Tai Zi Xun Zhong Xin) which is principally engaged in the business of property planning, building consultancy, and marketing and operational consultancy services at a total consideration of HK\$55,080,000.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the three months ended 31 March 2015, the Group recorded a turnover of approximately HK\$25,873,000 (31 March 2014: HK\$26,375,000) and a profit attributable to shareholders of the Company of approximately HK\$6,772,000 (31 March 2014: approximately HK\$6,889,000). 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 three months ended 31 March 2015, the sports segment recorded a turnover of approximately HK\$10,920,000 (31 March 2014: HK\$18,102,000). The decrease in turnover from the sports segment is primarily attributable to the average sport seasons for the licenses held by Socle Limited (“Socle”) beginning later in 2015 when compared to the licenses held in 2014.

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 Women’s Tennis Association League, Bundesliga, 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 in various entertainment projects such as movies and musical productions.

For the three months ended 31 March 2015, the entertainment segment recorded a turnover of approximately HK\$14,953,000 (31 March 2014: approximately HK\$8,273,000). The increase in turnover is primarily attributable to successful operations in the licensing and sales of TV and movie content.

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.



## 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 three months ended 31 March 2015, the Group recorded a decrease in turnover to approximately HK\$25,873,000 (31 March 2014: approximately HK\$26,375,000). The decrease in turnover was primarily attributable to overall lower revenue contribution from the sports segment.

The Group's gross profit margin decreased from 72.4% for the three months ended 31 March 2014 to 68.5% for the three months ended 31 March 2015. The decrease was due to the lower gross margin of the licensing and sales of TV and movie content in the entertainment segment.

The Group reported a net profit attributable to equity holders of approximately HK\$6,772,000 (31 March 2014: profit of approximately HK\$6,889,000) as a result of the overall lower revenue contribution from the sports segment.

Administrative and other expenses for the three months ended 31 March 2015 amounted to approximately HK\$6,660,000 (31 March 2014: approximately HK\$5,597,000), representing an increase of approximately 19% compared with the same period last year. The increase in administrative expenses was primarily attributed by the increase in equity-settled share-based payments.



## MATERIAL ACQUISITION

On 18 February 2015, the Company completed the acquisition of Liheng through contractual arrangements allowing the Company to have the right to consolidate the financial results of Liheng as if it were a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was HK\$24,000,000. Liheng is principally engaged in the business of television show production, the licensing of television related content and the management of actors. The purpose of the acquisition was to diversify and enhance the Company's business segments. Refer to announcement dated 18 February 2015.

On 8 April 2015, the Company entered into a memorandum of understanding to acquire Dream World Holdings Limited (the "Target Company"). The Target Company, is a company incorporated in the Cayman Islands with limited liability, and is principally engaged in the business of operating large film-based cultural parks and providing new methods to enhance the movie viewing experience. In the future, the Target Company will become an innovative cinema service provider and operator. The Target Company is experienced in the planning, operating and managing of cultural and tourism focused projects and is currently in the process of managing the development of a movie-focused project. As the Company's operations include investing in the production of movies and developing the cultural industry, the Board believes that there are significant synergies to be gained by acquiring the Target Company. The proposed acquisition will strengthen and diversify the Company's overall business and further increase the Company's presence in the cultural industry. Refer to announcement dated 8 April 2015 for additional information.

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

As at 31 March 2015, 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 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 (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)	0.03%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 19,000,000 shares. Daily Technology Company Limited ("Daily Technology") 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 be interested in 72,984,893 shares held 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	33,005,104	0.91%
Mr. Hsu Tung Chi	Beneficial	33,005,104	0.91%

(L) denotes long position

Save as disclosed above, as at 31 March 2015, 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 an ordinary resolution passed at a special general meeting. Details of the movements in the number of share options during the period under the Scheme are as follows:

Categories of grantees	As at	Exercised	Lapsed	Outstanding	Exercise	Grant	Exercisable
	1 January	during	during	at 31			
	2015	the period	the period	March	price	date	period
				2015	HK\$		
<b>Directors</b>							
Mr. Hsu Tung Sheng	33,005,104	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
Mr. Hsu Tung Chi	33,005,104	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
<b>Consultant</b>							
Willing International Capital (Shanghai) Company Limited	33,005,104	-	-	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
Employees	231,035,728	-	-	231,035,728	0.1143	10/06/2014	10/06/2014- 09/06/2017
	330,051,040	-	-	330,051,040			

## SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 March 2015, 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 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 10% 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)	13.67%
Ms. Xu Ziqi (Note 1)	Deemed	497,698,238 (L)	13.67%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	497,698,238 (L)	13.67%

(L) denotes long position

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. 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 by virtue of being the spouse of Mr. Ma under the SFO.



Save as disclosed above, as at 31 March 2015, the directors of the Company 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 10% 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 of the Company believe that none of the directors, 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 three months ended 31 March 2015.

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

During the period ended 31 March 2015, 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 directors, the directors have complied with such code of conduct and the required standard of dealings regarding securities transactions throughout the period ended 31 March 2015.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") according to 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 three months ended 31 March 2015, 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 Bye-laws of the Company, 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 quarterly reports. The audit committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Chang Ching Lien, all of them are independent non-executive directors. The chairman of the audit committee is Mr. Kwok Chi Sun, Vincent.

The Group's unaudited quarterly results for the three months ended 31 March 2015 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. Chang Ching Lien and Mr. Kwok Chi Sun, Vincent.

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

Hong Kong, 14 May 2015