



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 2015



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

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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

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 2015 together with the comparative unaudited figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	4	18,250	23,255	68,462	75,003
Cost of services rendered and cost of good sold		(2,588)	(6,406)	(17,985)	(19,793)
Gross profit		15,662	16,849	50,477	55,210
Other income		-	249	-	756
Administrative and other expenses		(6,165)	(8,187)	(19,241)	(23,524)
Finance costs		(3)	-	(4)	(1)
Profit before taxation		9,494	8,911	31,232	32,441
Income tax expense	5	(2,178)	(1,366)	(7,330)	(7,530)
Profit for the period		7,316	7,545	23,902	24,911

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Other comprehensive income for the period					
Currency translation differences		(3,616)	103	(3,357)	(188)
Total comprehensive income for the period		3,700	7,648	20,545	24,723
Profit attributable to:					
– Equity holders of the Company		5,845	6,503	20,655	20,004
– Non-controlling interest		1,471	1,042	3,247	4,907
		7,316	7,545	23,902	24,911
Total comprehensive income attributable to:					
– Equity holders of the Company		3,240	6,605	18,231	19,814
– Non-controlling interest		463	1,043	2,317	4,909
		3,703	7,648	20,548	24,723
Dividends	6	-	-	-	-
Earnings per share	7				
– Basic		HK0.15 cents	HK0.19 cents	HK0.55 cents	HK0.60 cents
– Diluted		HK0.15 cents	HK0.19 cents	HK0.54 cents	HK0.59 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2015

	Attributable to equity holders of the Company																				
	Reserves											Non-controlling interests									
	Share capital	Share premium	Special reserve	Capital reserve	Warrant 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 a)													(Note b)								
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	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									
2015																					
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									
Profit for the period and total comprehensive income for the period	-	-	-	-	-	(2,424)	-	20,655	18,231	18,231	2,317	20,548									
Transactions with equity holders																					
Exercise of options	1,650	23,348	-	-	-	-	(4,316)	-	19,032	20,682	-	20,682									
Exercise of warrants	1,378	19,424	-	-	(138)	-	-	-	19,286	20,664	-	20,664									
Issue of share option	-	-	-	-	-	-	3,646	-	3,646	3,646	-	3,646									
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,265	1,265									
At 30 September 2015	39,426	551,359	10,084	(20,749)	138	(2,465)	7,112	(185,272)	360,207	399,633	24,856	424,489									



Notes:

- (a) 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.
- (b) 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 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 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 (“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 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:

(unaudited)
HK\$'000

Consideration:

Cash	24,000
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(unaudited)
HK\$'000

**Recognised amounts of identifiable assets acquired
and liabilities assumed:**

Property, plant and equipment	48
Accounts and other receivables	12,920
Bank balances and cash	89
Intangible assets	4,128
Accounts and other payables	(4,387)

Total identifiable net assets	12,798
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Goodwill arising on acquisition	11,202
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24,000

(unaudited)
HK\$'000

Net cash flow on acquisition of subsidiary:

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 revenue of HK\$5,013,000 and net profit of HK\$2,927,000 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\$68,462,000 and HK\$23,720,000, respectively.

4. TURNOVER

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

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
e-Licensing business				
– Entertainment	8,604	12,784	41,153	35,324
e-Licensing business				
– Sports	9,646	10,471	27,309	39,679
Total revenue	18,250	23,255	68,462	75,003

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 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current				
– Hong Kong	1,433	1,348	4,088	3,890
– PRC	745	18	3,242	3,640
	2,178	1,366	7,330	7,530

6. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2015 (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 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	5,845	6,503	20,655	20,004

	Number of shares		Number of shares	
	2015	2014	2015	2014
Shares				
Weighted average number of ordinary shares in issue during the period	3,928,733,784	3,351,266,392	3,751,801,151	3,347,014,521
Basic earnings per share	HK0.15 cents	HK0.19 cents	HK0.55 cents	HK0.60 cents

(b) Diluted earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	5,845	6,503	20,655	20,004
	Number of shares		Number of shares	
	2015	2014	2015	2014
Shares				
Weighted average number of ordinary shares in issue during the period	3,928,733,784	3,351,266,392	3,751,801,151	3,347,014,521
Effect of dilutive potential ordinary shares:				
Warrants	-	-	21,408,429	-
Options	3,487,060	22,817,979	63,608,827	18,558,551
Weighted average number of shares for the purpose of calculating diluted earnings per share	3,932,220,844	3,374,084,371	3,836,818,407	3,365,573,072
Diluted earnings per share	HK0.15 cents	HK0.19 cents	HK0.54 cents	HK0.59 cents



8. EVENTS AFTER REPORTING PERIOD

On 29 October 2015, Shenwan Hongyuan Securities (H.K.) Limited (“the Placing Agent”), and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent, an aggregate of 730,000,000 placing shares, on a best effort basis, to not less than six (6) placees who and whose ultimate beneficial owners are Independent Third Parties at the placing price of HK\$0.078 per placing share. The placing shares were issued and allotted pursuant to the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 24 June 2015. Pursuant to which the directors are allowed to allot and issue up to 769,720,669 shares. The 730,000,000 placing shares represent (i) approximately 18.52% of the existing issued share capital of the Company of 3,942,603,349 Shares as at the date of this announcement; and (ii) approximately 15.62% of the issued share capital of the Company of 4,672,603,349 Shares as enlarged by the issue of the maximum number of 730,000,000 Placing Shares.

The gross proceeds and net proceeds from the issue of the placing shares was approximately HK\$56,940,000 and approximately HK\$54,900,000 respectively. The net proceeds of the Placing are intended to be used for general working capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2015, the Group recorded a turnover of approximately HK\$68,462,000 (30 September 2014: HK\$75,003,000) and a profit attributable to equity holders of the Company of approximately HK\$20,655,000 (30 September 2014: HK\$20,004,000). 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 2015, the Sports Segment recorded a turnover of approximately HK\$27,309,000 (30 September 2014: HK\$39,679,000). The decrease in turnover from the Sports Segment is primarily attributable to seasonality in the current business resulting in more revenue being recognized in the last quarter of 2015.

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.



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, television and musical productions.

For the nine months ended 30 September 2015, the Entertainment Segment recorded a turnover of approximately HK\$41,153,000 (30 September 2014: approximately HK\$35,324,000). The increase in turnover is primarily attributable to increased focus in developing the entertainment segment through Orient Digital Entertainment Company Limited (“ODE”).

The Group currently hold the music rights for 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 investment of movies, television contents and 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 its businesses.

FINANCIAL REVIEW

For the nine months ended 30 September 2015, the Group recorded a turnover of HK\$68,462,000 as compared to HK\$75,003,000 in the same period in 2014. The decrease in turnover is primarily attributable to decreased turnover from the sports segment offset partially by increased revenue contribution from the entertainment segment.

The Group reported a net profit attributable to equity holders of approximately HK\$20,655,000 for the nine months ended 30 September 2015, compared to a net profit of approximately HK\$20,004,000 in the corresponding period of last year. This increase is due to move contribution from ODE, a wholly-owned subsidiary resulting in less profit-attributable to non-controlling interests as compared to the previous year.

Administrative and other expenses for the nine months ended 30 September 2015 amounted to approximately HK\$19,241,000 (30 September 2014: approximately HK\$23,524,000), representing a decrease of approximately 18.2% compared with the same period last year. The decrease is primarily due to cost cutting.



MATERIAL ACQUISITIONS OR DISPOSAL

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. Please refer to the announcement dated 18 February 2015 for further information.

On 6 July 2015, the Company entered into an acquisition agreement (as supplemented and amended by the supplemental agreement dated 22 July 2015, the confirmation letter dated 28 August 2015 and the second supplemental agreement dated 29 September 2015) to acquire 100% of the issued share capital in Dream World Holdings Limited (the "Target Company"). The Target Company, a company incorporated in the Cayman Islands with limited liability, is principally engaged in the business of operating large film-based cultural theme parks. 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 film-based cultural theme park in Huaqiao, Kunshan, Jiangsu Province, PRC (the "Project"). The Target Company's wholly owned subsidiary currently holds the exclusive operating rights of the Project for 40 years beginning in 2012. 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. Please refer to the announcement dated 6 July 2015 and circular dated 28 October 2015 for further information.

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

As at 30 September 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 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)	1.9%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	265,800,000 (L) 72,984,893 (L)	6.7% 1.9%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	1.9%
Mr. Pang Hong Tao	Beneficial	1,000,000 (L)	0.03%

(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

Name of director	Nature of interests	Number of share options granted	Approximate percentage of interests
Mr. Hsu Tung Sheng	Beneficial	33,005,104 (L)	0.8%
Mr. Hsu Tung Chi	Beneficial	22,005,104 (L)	0.6%

(L) denotes long position

Save as disclosed above, as at 30 September 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	Outstanding	Exercise price	Grant date	Exercisable period
	1 January 2015	during the period	at 30 September 2015			
Directors						
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	11,000,000	22,005,104	0.1143	10/06/2014	10/06/2014–09/06/2017
Employees	264,040,832	154,000,000	110,040,832	0.1143	10/06/2010	10/06/2014–09/06/2017
	330,051,040	165,000,000	165,051,040			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 30 September 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 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	297,698,238 (L)	7.6%
Ms. Xu Ziqi (Note 1)	Deemed	297,698,238 (L)	7.6%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	297,698,238 (L)	7.6%
Chance Talent Management Limited (Note 2)	Beneficial and person having a security interest in shares	201,284,893 (L) 17,500,000 (L) 17,500,000 (S)	5.1% 0.4% 0.4%

Notes:

1. Golden Mabile Culture Media Company Limited ("Golden Mabile") is wholly and beneficially owned by Mr. Ma Bole ("Mr. Ma"). Golden Mabile beneficially owns 297,698,238 shares of the Company. Under the SFO, Mr. Ma is deemed to be interested in 297,698,238 shares held by Golden Mabile.

Ms. Xu Ziqi is deemed to be interested in 297,698,238 shares under the SFO by virtue of being the spouse of Mr. Ma.

2. Chance Talent Management Limited ("Chance Talent") beneficially owns 17,500,000 shares of the Company. Chance Talent also holds 201,284,893 shares of the company charged by Hsu Tung Sheng, Hsu Tung Chi and Daily Technology Company Limited and a put option arrangement with Hsu Tung Chi and Hsu Tung Sheng pursuant to a subscription agreement dated 7 August 2014 (as supplemented and amended by a supplemented agreement dated 8 September 2014) entered into between the Company and Chance Talent.

Save as disclosed above, as at 30 June 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 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 2015.



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

During the period ended 30 September 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 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 2015.

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 2015, 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 2015, 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 nine months ended 30 September 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. 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, 13 November 2015