



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
2016

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 Ching Lien

(re-designated from independent non-executive director on 13 April 2016)

Independent Non-executive Directors

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

(appointed on 13 April 2016)

Chang Ching Lien

(re-designated to executive director on 13 April 2016)

AUDIT COMMITTEE

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

(appointed on 13 April 2016)

Chang Ching Lien

(resigned on 13 April 2016)

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent

Hsu Tung Chi

Gou Yanlin

(appointed on 13 April 2016)

Chang Ching Lien

(resigned on 13 April 2016)

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

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") is pleased to present an unaudited consolidated financial information of the Company and its subsidiaries (together the "Group") for the three months ended 31 March 2016 together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

		Three Months ended 31 March	
	<i>Note</i>	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	4	50,427	25,873
Cost of services rendered		(21,444)	(8,140)
Gross profit		28,983	17,733
Other income		38	–
Administrative and other expenses		(12,384)	(6,660)
Finance costs		(2)	(1)
Profit before taxation		16,635	11,072
Income tax expense	5	(4,213)	(2,704)
Profit for the period		12,422	8,368

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016

		Three Months ended 31 March	
	Note	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other comprehensive income for the period			
Foreign currency translation differences		719	237
Total comprehensive income for the period		13,141	8,605
Profit attributable to:			
– Equity holders of the Company		10,412	6,772
– Non-controlling interests		2,010	1,596
		12,422	8,368
Total comprehensive income attributable to:			
– Equity holders of the Company		10,994	6,932
– Non-controlling interests		2,147	1,673
		13,141	8,605
Dividends	6	–	–
Earnings per share			(Adjusted)
– Basic	7	HK0.80 cents	HK0.74 cents
– Diluted		HK0.80 cents	HK0.74 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Warrant reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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	-	-	-	-	-	160	-	6,772	6,932	6,932	1,673	8,605
Transactions with equity holders												
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
2016												
At 1 January 2016	46,726	599,286	10,084	(20,749)	138	(2,340)	6,360	(181,970)	410,809	457,535	26,290	483,825
Profit for the period and total comprehensive income for the period	-	-	-	-	-	582	-	10,412	10,994	10,994	2,147	13,141
Transactions with equity holders												
Issue of shares	6,438	61,961	-	-	-	-	-	-	61,961	68,399	-	68,399
Equity-settled share based payment	-	-	-	-	-	-	591	-	591	591	-	591
At 31 March 2016	53,164	661,247	10,084	(20,749)	138	(1,758)	6,951	(171,558)	484,355	537,519	28,437	565,956

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 INFORMATION

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”) are principally engaged in providing copyright content to end-users through well-established platforms, operating film-based cultural parks and tourism focused projects and business of providing marketing and promotional services for professional athletes.

2. STATEMENT OF COMPLIANCE

These condensed financial information 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”) and accounting principles generally accepted in Hong Kong. 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 information have been prepared on a basis consistent with the accounting policies adopted in the 2015 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 **Dream World Holdings Limited**

On 14 January 2016, the Company completed the acquisition of Dream World Holdings Limited and its subsidiaries (“Dream World”). Upon completion, Dream World became a wholly-owned subsidiary of the Company. The aggregate consideration of the acquisition shall be up to HK\$578,399,000 to be paid by the Company to the vendors by (i) cash payment of HK\$150,000,000; (ii) the issue of consideration shares for a total amount of HK\$68,399,000; and (iii) subject to the fulfillment of profit guarantee requirements and progress of stage of construction of the projects, the issue of convertible bonds in the principal amount of up to HK\$360,000,000 by the Company. Dream World is principally engaged in the business of operating film-based cultural and tourism focused projects. 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
<hr/>	
Consideration:	
Cash paid	150,000
Shares issued, at fair value	68,399
Contingent consideration – Convertible bonds	360,000
	<hr/>
	578,399
	<hr/>
	(unaudited) HK\$'000
<hr/>	
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	5
Interest in associate	1,791
Accounts and other receivables	15,449
Financial assets at fair value through profit or loss	7,770
Bank balances and cash	9,665
Accounts and other payables	(3,723)
Tax payable	(5,960)
	<hr/>
Total identifiable net assets	24,997
Goodwill arising on acquisition	553,402
	<hr/>
	578,399
	<hr/>
	(unaudited) HK\$'000
<hr/>	
Net cash outflow on acquisition of subsidiaries:	
Net cash acquired from subsidiaries	9,665
Consideration paid in cash	(150,000)
	<hr/>
	(140,335)
	<hr/>

The Company shall pay HK\$578,399,000 in cash, shares and convertible bonds as consideration for the acquisition of Dream World. The transaction costs of approximately HK\$6,088,000 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 recognised is expected to be deductible for income tax purposes.

Since the acquisition, the acquired subsidiaries have contributed HK\$12,660,000 in revenue and income of HK\$5,790,000 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\$50,427,000 and HK\$12,422,000, respectively.

4. REVENUE

Revenue comprises the following business activities of the Group:

	Three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Entertainment	28,736	14,953
Sports	21,691	10,920
Total revenue	50,427	25,873

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current		
– Hong Kong	2,281	1,204
– PRC	1,932	1,500
	4,213	2,704

6. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2016 (31 March 2015: 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:

		Three months ended 31 March	
		2016	2015
		HK\$'000	HK\$'000
Profit attributable to equity holders of the Company		10,412	6,772
		2016	2015
		No. of shares	No. of shares
		'000	'000
Note			(Adjusted)
Issued ordinary shares at 1 January		1,168,150	3,639,853
Effect of shares issued		135,904	–
Effect of share consolidation (i)		–	(2,729,890)
Weighted average number of ordinary shares for basic earnings per share		1,304,054	909,963
Effect of dilutive potential shares from:			
– Unlisted warrants		N/A	N/A
– Share options		296	4,818
Weighted average number of ordinary shares for diluted earnings per share		1,304,350	914,781

Note:

- (i) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 30 November 2015, every four issued and unissued ordinary shares of HK\$0.01 each was consolidated into one consolidated share of HK\$0.04 each.

8. EVENTS AFTER REPORTING PERIOD

On 4 April 2016, the Company and Eastern Eagle Investment Company Limited (the “Grantor”) entered into an agreement in relation to the grant of the exclusive right by the Grantor to the Company to use the image and name of Mr. Jay Chou (周杰倫先生). The consideration shall be a total sum of HK\$10,000,000 which shall be satisfied by way of issue and allotment of consideration shares by the Company to the Grantor at the issue price of HK\$0.48. The Company and the Grantor will jointly establish an E-Sports team called “J Team” with participation of Mr. Jay Chou (周杰倫先生).

On 14 April 2016, the Company completed the placing of 312,500,000 shares to not less than six placees at a placing price of HK\$0.48. The joint placing agents were Shenwan Hongyuan Securities (H.K.) Limited and UOB Kay Hian (Hong Kong) Limited.

On 26 April 2016, the Company has subscribed for a principal amount of HK\$15,000,000 of convertibles notes of Light Cycle Limited (“Light Cycle”). The convertible notes are convertible into approximately 7.42% equity interest in Light Cycle as enlarged by the conversion shares at the initial conversion price of HK\$93.5395 per share. Light Cycle is principally engaged in operating yoga and cycling studios in the PRC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2016, the Group recorded a turnover of approximately HK\$50,427,000 (31 March 2015: HK\$25,873,000) and a profit attributable to shareholders of the Company of approximately HK\$10,412,000 (31 March 2015: approximately HK\$6,772,000). The business includes both the sports and entertainment segment.

I. Sports Segment

The sports segment includes the athlete management and sports content licensing business.

During the three months ended 31 March 2016, the sports segment recorded a turnover of approximately HK\$21,691,000 (31 March 2015: HK\$10,920,000). The increase in turnover from the sports segment is primarily attributable to increased revenue contribution from new licenses held by Socle Limited ("Socle").

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. 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; promotion, sales and distribution of movies and television licensed content worldwide; production of movies, television shows and Broadway musicals; and film-based cultural parks and tourism focused projects operation.

For the three months ended 31 March 2016, the entertainment segment recorded a turnover of approximately HK\$28,736,000 (31 March 2015: approximately HK\$14,953,000). The increase in turnover is primarily attributable to consolidated results from Dream World Holdings Limited ("Dream World") from the completion of its acquisition and operations in the licensing and sales of TV and movie content.

Outlook

The Group will continue its efforts to further develop its businesses in China's fast growing cultural, entertainment, and sports areas. The recent acquisition along with the strong business relationships cultivated by the Group's experienced management team will help the Group to grow and prosper in both new and existing businesses. The Group will focus on expanding and developing its operations in the e-Sports and live web businesses.

FINANCIAL REVIEW

For the three months ended 31 March 2016, the Group recorded an increase in turnover to approximately HK\$50,427,000 (31 March 2015: approximately HK\$25,873,000). The increase in turnover was primarily attributable to revenue contribution from Dream World and stronger performance from existing sports and entertainment businesses.

The Group's gross profit margin decreased from 68.5% for the three months ended 31 March 2015 to 57.5% for the three months ended 31 March 2016. 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\$10,412,000 (31 March 2015: profit of approximately HK\$6,772,000) as a result of the overall stronger performance from both the sports and entertainment segments along with consolidated results of Dream World.

Administrative and other expenses for the three months ended 31 March 2016 amounted to approximately HK\$12,384,000 (31 March 2015: approximately HK\$6,660,000), representing an increase of approximately 86% compared with the same period last year. The increase in administrative expenses was primarily attributed by the transaction costs arose from the acquisition of Dream World.

MATERIAL ACQUISITION

On 14 January 2016, the Company completed the acquisition of Dream World Holdings Limited (“Dream World”). Upon completion, Dream World became a wholly-owned subsidiary of the Company. The aggregate consideration of the acquisition shall be up to HK\$578,399,000 to be paid by the Company to the vendors by (i) cash payment of HK\$150,000,000; (ii) the issue of consideration shares for a total amount of HK\$68,399,000; and (iii) subject to the fulfillment of profit guarantee requirements and progress of stage of construction of the projects, the issue of convertible bonds in the principal amount of up to HK\$360,000,000 by the Company. Dream World is principally engaged in the business of operating film-based cultural and tourism focused projects. The purpose of this acquisition was to diversify and enhance the Company’s business segments.

On 26 April 2016, the Company has subscribed for a principal amount of HK\$15,000,000 of convertibles notes of Light Cycle Limited (“Light Cycle”). The convertible notes are convertible into approximately 7.42% equity interest in Light Cycle as enlarged by the conversion shares at the conversion price of \$93.5395 per share. Light Cycle is principally engaged in operating yoga and cycling studios in the PRC.

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

As at 31 March 2016, 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

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	18,375,000 (L)	1.38%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	70,825,000 (L) 18,246,223 (L)	5.33% 1.37%
Daily Technology Company Limited (Note 1)	Beneficial	18,246,223 (L)	1.37%
Mr. Pang Hong Tao	Beneficial	250,000 (L)	0.02%

(L) denotes long position

Note:

- Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 70,825,000 shares. Daily Technology Company Limited ("Daily Technology") is beneficially owned as to 100% by Mr. Hsu. Daily Technology beneficially owns 18,246,223 shares. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares held by Daily Technology.

(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	8,251,276	0.62%
Mr. Hsu Tung Chi	Beneficial	5,501,276	0.41%

Save as disclosed above, as at 31 March 2016, 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 price	Grant date	Exercisable period
	1 January 2016	during the period	during the period	at 31 March 2016			
					HK\$		
Directors							
Mr. Hsu Tung Sheng	8,251,276	-	-	8,251,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Mr. Hsu Tung Chi	5,501,276	-	-	5,501,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Consultant							
Willing International Capital (Shanghai) Company Limited	5,501,276	-	-	5,501,276	0.4572	10/06/2014	10/06/2014-09/06/2017
Employees	22,008,932	-	-	22,008,932	0.4572	10/06/2014	10/06/2014-09/06/2017
	41,262,760	-	-	41,262,760			

SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 March 2016, 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

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	74,424,559 (L)	5.60%
Ms. Xu Ziqi (Note 1)	Deemed	74,424,559 (L)	5.60%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	74,424,559 (L)	5.60%

(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 74,424,559 shares. Under the SFO, Mr. Ma is deemed to be interested in 74,424,559 shares held by Golden Mabole.

Ms. Xu Ziqi is deemed to be interested in 74,424,559 shares by virtue of being the spouse of Mr. Ma under the SFO.

Save as disclosed above, as at 31 March 2016, 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 2016.

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

During the period ended 31 March 2016, 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 2016.

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 2016, 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. Gou Yanlin, 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 2016 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, Mr. Pang Hong Tao and Mr. Chang Ching Lien. The independent non-executive directors are Mr. Wong Tak Shing, Mr. Kwok Chi Sun, Vincent and Mr. Gou Yanlin.

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

Hong Kong, 13 May 2016