



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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8175)

Interim Report
2016

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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
(resigned on 31 May 2016)
Chang Ching Lien
(re-designated from independent
non-executive director on
13 April 2016)
Zhang Jing
(appointed on 31 May 2016)
Lai Kwok Fai, Franki
(appointed on 22 July 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

SECOND QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30 June 2016 together with the comparative figures for the corresponding periods in 2015, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	4	64,110	24,339	114,537	50,212
Cost of services rendered and cost of goods sold		(33,578)	(7,257)	(55,022)	(15,397)
Gross profit		30,532	17,082	59,515	34,815
Other income		257	-	295	-
Administrative and other expenses		(9,671)	(6,416)	(22,055)	(13,076)
Finance costs	7	(130)	-	(132)	(1)
Profit before taxation	6	20,988	10,666	37,623	21,738
Income tax expense	8	(4,460)	(2,448)	(8,673)	(5,152)
Profit for the period		16,528	8,218	28,950	16,586

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2016

	Note	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other comprehensive income for the period					
Foreign currency translation differences		(2,347)	22	(1,628)	259
Total comprehensive income for the period		14,181	8,240	27,322	16,845
Profit attributable to:					
– Equity holders of the Company		14,593	8,038	25,005	14,810
– Non-controlling interests		1,935	180	3,945	1,776
		16,528	8,218	28,950	16,586
Total comprehensive income attributable to:					
– Equity holders of the Company		12,313	8,059	23,307	14,991
– Non-controlling interests		1,868	181	4,015	1,854
		14,181	8,240	27,322	16,845
Dividends	9	–	–	–	–
Earnings per share	10		(Adjusted)		(Adjusted)
– Basic		HK0.91 cents	HK0.87 cents	HK1.72 cents	HK1.60 cents
– Diluted		HK0.91 cents	HK0.84 cents	HK1.72 cents	HK1.57 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets		
	3,578	3,716
Property, plant and equipment		4,837
Intangible assets	60,264	240,702
Goodwill	794,666	–
Other investments	37,796	23,388
Available-for-sale financial assets	20,592	11,751
Deposits for available-for-sale financial assets	–	80,000
Deposit for acquisition	17,536	401
Loans to and due from joint ventures	816	
	935,248	364,795
Current assets		
Inventories	2,011	2,054
Accounts and other receivables	235,365	125,297
Bank balances and cash	43,483	63,792
	280,859	191,143
Current liabilities		
Accounts and other payables	79,323	56,718
Bank loans	12,267	–
Tax payable	23,443	15,395
Consideration payable – current portion	120,000	–
	235,033	72,113
Net current assets	45,826	119,030
Total assets less current liabilities	981,074	483,825
Non current liabilities		
Consideration payable – non current portion	240,000	–
	240,000	–
NET ASSETS	741,074	483,825
Capital and reserves		
Share capital	66,497	46,726
Reserves	640,050	410,809
Equity attributable to equity holders of the Company	706,547	457,535
Non-controlling interests	34,527	26,290
TOTAL EQUITY	741,074	483,825

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

	Attributable to equity holders of the Company																				
	Reserves											Non-controlling interests									
	Share capital	Share premium	Special reserve	Capital reserves	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)								
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	-	-	-	-	-	181	-	14,810	14,991	14,991	1,854	16,845									
Transaction with equity holders																					
Exercise of options	1,210	16,905	-	-	-	-	(4,285)	-	12,620	13,830	-	13,830									
Exercise of warrants	1,378	19,424	-	-	(138)	-	-	-	19,286	20,664	-	20,664									
Equity-settled share-based payment	-	-	-	-	-	-	3,646	-	3,646	3,646	-	3,646									
Non-controlling interest arising from incorporation subsidiary	-	-	-	-	-	-	-	-	-	-	1,265	1,265									
At 30 June 2015	38,986	544,916	10,084	(20,749)	138	140	7,143	(191,117)	350,555	389,541	24,393	413,934									
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	-	-	-	-	-	(1,686)	-	25,005	23,319	23,319	4,015	27,334									
Transaction with equity holders																					
Issue of shares upon acquisition	7,271	71,753	-	-	-	-	-	-	71,753	79,024	-	79,024									
Issue of shares upon placing	12,500	132,988	-	-	-	-	-	-	132,988	145,488	-	145,488									
Equity-settled share-based payment	-	-	-	-	-	-	1,181	-	1,181	1,181	-	1,181									
Non-controlling interest arising from incorporation of subsidiary	-	-	-	-	-	-	-	-	-	-	4,222	4,222									
At 30 June 2016	66,497	804,027	10,084	(20,749)	138	(4,026)	7,541	(156,965)	640,050	706,547	34,527	741,074									

Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2016

	Six months ended 30 June 2016 (Unaudited) HK\$'000	Six months ended 30 June 2015 (Unaudited) HK\$'000
Net cash used in operating activities	(42,268)	(272)
Net cash used in investing activities	(134,111)	(16,820)
Net cash outflow before financing activities	(176,379)	(17,092)
Net cash from financing activities	157,755	39,055
Net (decrease) increase in cash and cash equivalents	(18,624)	21,963
Cash and cash equivalents at beginning of the period	63,792	20,979
Effect of exchange rate fluctuations, net	(1,685)	181
Cash and cash equivalents at end of the period	43,483	43,123

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

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, 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 consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 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
Consideration:	
Cash paid	150,000
Shares issued, at fair value	68,399
Contingent consideration – Convertible bonds	360,000
	<hr/> 578,399
	(unaudited) HK\$'000
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

3. **ACQUISITION OF SUBSIDIARIES (CONTINUED)**
Dream World Holdings Limited (continued)

(unaudited)
HK\$'000

Net cash outflow on acquisition of subsidiaries:

Net cash acquired from subsidiaries	9,665
Consideration paid in cash	(150,000)
	<hr/>
	(140,335)

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 approximately HK\$25,313,000 in revenue and HK\$15,142,000 in profit before taxation 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 approximately HK\$114,537,000 and HK\$28,950,000, respectively.

3. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Jieyi Wenchuang Company Limited

On 1 June 2016, the Company completed the acquisition of Jieyi Wenchuang Company Limited (“Jieyi Wenchuang”). Jieyi Wenchuang is a company incorporated in Taiwan with limited liability and is principally engaged in the business of training, nurturing and managing E-sports teams and E-sport broadcasters. Upon completion, Jieyi Wenchuang became a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was NT\$1,151,000 (approximately HK\$276,000). The purpose of this acquisition was to diversify and enhance the Company’s business segments. Jieyi Wenchuang is currently operating an E-sports team called “J Team”, which holds the exclusive right to use the image and name of Mr. Jay Chou in the E-sports field.

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 paid	276

3. **ACQUISITION OF SUBSIDIARIES (CONTINUED)**
Jieyi Wenchuang Company Limited ("Jieyi Wenchuang") (continued)

(unaudited)
HK\$'000

Recognised amounts of identifiable assets acquired and liabilities assumed:

Property, plant and equipment	19
Accounts and other receivables	1,627
Bank balances and cash	108
Accounts and other payables	(2,040)

Total identifiable net assets (286)

Goodwill arising on acquisition 562

276

(unaudited)
HK\$'000

Net cash outflow on acquisition of subsidiaries:

Net cash acquired from subsidiaries	108
Consideration paid in cash	(276)

(168)

The Company shall pay HK\$276,000 in cash as consideration for the acquisition of Jieyi Wenchuang. The transaction costs of approximately HK\$196,000 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 purpose.

Since the acquisition, Jieyi Wenchuang have contributed approximately HK\$478,000 in revenue and HK\$369,000 in loss before taxation into 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 approximately HK\$114,590,000 and HK\$28,423,000, respectively.

4. TURNOVER

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

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Entertainment	46,887	17,596	75,623	32,549
Sports	17,223	6,743	38,914	17,663
Total revenue	64,110	24,339	114,537	50,212

5. SEGMENT INFORMATION

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continued operations by reportable segment.

Six months ended 30 June

	2016 (Unaudited)			2015 (Unaudited)		
	Entertainment HK\$'000	Sports HK\$'000	Consolidated HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Consolidated HK\$'000
Segment revenue						
Sale to external customers	75,623	38,914	114,537	32,549	17,663	50,212
Loan interest income from a jointly controlled entity	474	-	474	473	-	473
	76,097	38,914	115,011	33,022	17,663	50,685
Segment results	30,260	18,544	48,804	20,522	8,418	28,940
Unallocated income			266			-
Unallocated expenses			(11,447)			(7,202)
Profit before taxation			37,623			21,738
Taxation			(8,673)			(5,152)
Profit for the period			28,950			16,586

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment results represents the results achieved by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, investment and other income, other gains and losses, finance costs, and income tax expenses. This is the measurement method reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Entertainment HK\$'000	Sports HK\$'000	Total HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Total HK\$'000
Assets before the following items:						
Goodwill	256,119	123,530	379,649	186,038	116,319	302,357
Loans to and due from joint ventures	689,031	105,635	794,666	135,067	105,635	240,702
	816	-	816	401	-	401
Segment assets	945,966	229,165	1,175,131	321,506	221,954	543,460
Unallocated assets			40,976			12,478
Consolidated total assets			1,216,107			555,938
Segment liabilities	59,671	52,661	112,332	34,080	35,236	69,316
Unallocated liabilities			362,701			2,797
Consolidated total liabilities			475,033			72,113

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments other than interests in associates; and
- All liabilities are allocated to the sales/service activities of individual segments other than convertible bonds.

5. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

Six months ended 30 June

	2016 (Unaudited)			2015 (Unaudited)		
	Entertainment	Sports	Total	Entertainment	Sports	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	(2,286)	(87)	(2,373)	(242)	(4,398)	(4,640)
Depreciation of property, plant and equipment	(427)	(52)	(479)	(376)	(52)	(428)
Capital expenditure	(47,211)	-	(47,211)	-	-	-

(d) Geographic information

The Group's operations are principally located in Hong Kong and the PRC.

The Group's revenue from external customers by locations of operations and information about its non-current assets by locations of assets are detailed below:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Hong Kong	74,826	21,326	839,495	278,406
PRC	39,233	28,886	95,694	50,849
Taiwan	478	-	59	-
	114,537	50,212	935,248	329,255

6. PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Amortisation of intangible assets	1,533	4,608	2,373	4,640
Depreciation	303	217	479	428

7. FINANCE COSTS

Finance costs represent interest on short term bank loans. During March 2016, the Company obtained term loans of \$16,271,379 from banks. The effective interest rate is 2.72% - 5% per annum and repayable by twelve monthly installment. The loans were guaranteed by the Company.

8. 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 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current				
– Hong Kong	4,311	1,451	6,592	2,655
– PRC	149	997	2,081	2,497
	4,460	2,448	8,673	5,152

9. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months and six months ended 30 June 2016 (2015: Nil).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

(a) Basic earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	14,593	8,038	25,005	14,810

	Number of shares		Number of shares	
	2016	2015 (Adjusted)	2016	2015 (Adjusted)
Shares				
Weighted average number of ordinary shares in issue during the period	1,597,174,418	924,657,706	1,451,423,742	917,351,114

Basic earnings per share	HK0.91 cents	HK0.87 cents	HK1.72 cents	HK1.60 cents
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10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	14,593	8,038	25,005	14,810
	Number of shares		Number of shares	
	2016	2015 (Adjusted)	2016	2015 (Adjusted)
Shares				
Weighted average number of ordinary shares in issue during the period	1,597,174,418	924,657,706	1,451,423,742	917,351,114
Effect of dilutive potential ordinary shares:				
Options	6,850,208	20,618,593	4,874,708	18,719,131
Warrants	–	9,673,286	–	8,186,798
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,604,024,626	954,949,585	1,456,298,450	944,257,043
Diluted earnings per share	HK0.91 cents	HK0.84 cents	HK1.72 cents	HK1.57 cents

11. ACCOUNTS AND OTHER RECEIVABLES

Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Accounts receivable		
From third parties	125,215	51,312
Other receivables		
Deposits, prepayments and other receivables	27,028	6,359
Prepayments to licensors and suppliers	61,213	38,760
Refund of available-for-sale financial asset (i)	8,112	15,225
Due from directors of subsidiaries of the Company (i)	13,746	7,653
Due from directors (i)	51	5,988
	110,150	73,985
	235,365	125,297

An ageing analysis of the accounts receivable is as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current	30,000	30,883
Less than 1 month past due	34,110	–
1 month to 3 months past due	34,085	2,325
3 months to 12 months past due	25,214	14,300
Over 1 year past due	1,806	3,804
	95,215	20,429
	125,215	51,312

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

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

12. ACCOUNTS AND OTHER PAYABLES

	<i>Note</i>	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Accounts payable			
Accounts payable	(i)	34,463	18,013
Other payables			
Accrued charges and other payables		16,215	9,718
Other loan		11,941	11,941
Deferred income		3,712	2,719
Due to a director	(ii)	3,870	4,686
Due to a joint venture	(iii)	–	401
Due to directors of subsidiaries of the Company		9,122	9,240
		44,860	38,705
		79,323	56,718

(i) Accounts payable

At the end of the reporting period, the ageing analysis of accounts payables is in the range of zero to 30 days.

(ii) Due to directors

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

(iii) Due to a director of subsidiaries of the Company/a joint venture

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

13. OPERATING LEASE COMMITMENTS

The Group leases equipment and premises under operating leases. The leases are negotiated for a term ranging from 1 year to 5 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of equipment and premises falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	1,510	1,444
In the second to fifth years inclusive	6,406	6,300
Over five years	–	568
	7,916	8,312

14. EVENTS AFTER REPORTING PERIOD

Pursuant to the acquisition agreement dated 6 July 2015 (as amended and supplemented by the first supplemental agreement dated 22 July 2015, the confirmation letter dated 28 August 2015, the second supplemental agreement dated 29 September 2015 and the third supplemental agreement dated 18 December 2015) (collectively, the "Acquisition Agreement") entered into between the Company as the purchaser and Ease Wing Limited, Best Million Holdings Limited and Earn Wise Limited as the vendors (collectively, the "Vendors") in relation to the acquisition of the entire issued share capital of Dream World, each of the Vendors jointly and severally guarantees to the Company that the net profit after tax of Dream World for the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 shall be not less than HK\$15,000,000, HK\$20,000,000 and HK\$25,000,000 respectively for the whole financial year. According to the audited accounts of Dream World, the relevant profit guarantee requirement for the financial year ended 31 December 2015 ("2015 Profit Guarantee Requirement") has been satisfied. Following the fulfillment of 2015 Profit Guarantee Requirement, on 4 July 2016, the Company issued convertible bonds in the principal amount of HK\$120,000,000 at the initial conversion price of HK\$0.48 per conversion share to the Vendors and their nominees in accordance with the Acquisition Agreement. For more details, please refer to the Company's circular dated 28 October 2015.

14. EVENTS AFTER REPORTING PERIOD (CONTINUED)

Reference is made to the announcement of the Company dated 7 July 2016. On 7 July 2016, Kunshan Jieyi Culture Communication Company Limited (“Kunshan Jieyi”), a wholly owned subsidiary of the Company, Shenzhen Yujia Yule Media Company Limited (“Yujia Yule”), an Independent Third Party and Summer Eagle Limited, a wholly owned subsidiary of the Company entered into an agreement for the formation of a joint venture (the “Joint Venture”) by Kunshan Jieyi and Yujia Yule. The principal business of the Joint Venture will be engaged in live webcast agency business. Following completion, the Joint Venture will be owned as to 51% by Kunshan Jieyi and as to 49% by Yujia Yule, and will become an indirect non-wholly owned subsidiary of the Company. The registered capital of the Joint Venture will be RMB1,000,000.

On 12 July 2016, the Company entered into a sale and purchase agreement with Liu Yixin (劉譚心) (the “Vendor”) to acquire 100% of the equity interest in Shanghai Xin Ke Culture Media Company Limited (上海歆珂文化傳媒有限公司) (the “Target Company”) at a cash consideration of HK\$35,000,000. The Vendor guarantees to the Company that the net profit of the Target Company for the financial year ending 31 December 2016 should be not less than HK\$3,000,000. In the event that the profit guarantee is not met or satisfied, the Vendor shall compensate the Company in cash 2 times of the shortfall (the shortfall being the difference between the guaranteed profit and the actual profit). The Target Company is principally engaged in the business of entertainment project planning, celebrity management and production of online streaming content.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$114,537,000 (30 June 2015: HK\$50,212,000) and a profit attributable to equity holders of the Company of approximately HK\$25,005,000 (30 June 2015: HK\$14,810,000). The e-Licensing business includes both the sports and entertainment segment.

I. e-Licensing Business: Sports Segment

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

During the six months ended 30 June 2016, the sports segment recorded a turnover of approximately HK\$38,914,000 (30 June 2015: HK\$17,663,000). The increase in turnover from the sports segment is primarily attributable to increased revenue contribution from sale of 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.

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, movie and television content licensing business and investments in various entertainment projects such as movies, television and musical productions. It also includes the operations of a film based cultural park, celebrity E-sports teams and the live webcast agency business.

For the six months ended 30 June 2016, the entertainment segment recorded a turnover of approximately HK\$75,623,000 (30 June 2015: approximately HK\$32,549,000). The increase in turnover is primarily attributable to consolidated results from Dream World due to the completion of its acquisition and improved operations from the sale of entertainment content.

On 1 June 2016, the Company completed the acquisition of Jieyi Wenchuang. Jieyi Wenchuang is principally engaged in the business of training, nurturing and managing E-sports teams and E-sport broadcasters. Upon completion, Jieyi Wenchuang became a wholly-owned subsidiary of the Company. Jieyi Wenchuang is currently operating an E-sports team called "J Team", which holds the exclusive right to use the image and name of Mr. Jay Chou in the E-sports field. J Team is currently one of the top tier League of Legends E-sports teams in Asia. In addition, on 16 June 2016, the Company also obtained the exclusive right to use the name and endorsement of Jeremy Lin for the Company's Dota team.

On 7 July 2016, Kunshan Jieyi, a wholly owned subsidiary of the Company, Yujia Yule, an Independent Third Party and Summer Eagle Limited, a wholly owned subsidiary of the Company entered into an agreement for the formation of the Joint Venture by Kunshan Jieyi and Yujia Yule. The principal business of the Joint Venture will be the live webcast agency business. Following the completion, the Joint Venture will be owned as to 51% by Kunshan Jieyi and as to 49% by Yujia Yule, and will become an indirect non-wholly owned subsidiary of the Company.

The Directors are of the view that the establishment of the Joint Venture with Yujia Yule can further develop the E-sports business of the Company. Together with the cooperation of Mr. Jay Chou (周杰倫先生) and Mr. Jeremy Lin, the Company can bring together online stars and its E-sports teams through the live webcast business of the Company. The Directors believe that the interaction between webcast celebrity anchors and the E-sports teams can effectively enhance the value of interactive entertainment in the E-sports field and create an output platform intellectual properties for celebrity.

Outlook

The Group will continue its efforts in further developing its businesses in China's fast growing cultural, entertainment, and sports areas. The recent acquisitions along with the strong business relationships cultivated by the Group's experienced management team will help the Group to grow and prosper in 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 six months ended 30 June 2016, the Group recorded a turnover of HK\$114,537,000 as compared to HK\$50,212,000 in the same period in 2015. The increase in turnover is primarily attributable to revenue contribution from Dream World and also stronger performance from the sports and entertainment businesses.

The Group reported a net profit attributable to equity holders of approximately HK\$25,005,000 for the six months ended 30 June 2016, compared to a net profit of approximately HK\$14,810,000 in the corresponding period of last year. This increase is due to stronger performance from the entertainment segment along with consolidated results of Dream World.

Administrative and other expenses for the six months ended 30 June 2016 amounted to approximately HK\$22,055,000 (30 June 2015: approximately HK\$13,076,000), representing an increase of approximately 69% compared with the same period last year. The increase is primarily due to cost associated with operating Dream World and transaction costs related to its acquisition.

Liquidity and financial resources

As at 30 June 2016, the Group had current assets of approximately HK\$280,859,000 (31 December 2015: HK\$191,143,000) and current liabilities of approximately HK\$235,033,000 (31 December 2015: HK\$72,113,000). The current assets were comprised mainly of cash and bank balances of HK\$43,483,000 (31 December 2015: HK\$63,792,000) together with accounts and other receivables of HK\$235,365,000 (31 December 2015: HK\$125,297,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$79,323,000 (31 December 2015: HK\$56,718,000). The Group had HK\$12,267,000 in bank borrowings at 30 June 2016 (31 December 2015: Nil).

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2016, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Foreign exchange risk

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

Contingent liabilities

As at 30 June 2016, the group had no material contingent liabilities.

Employee information

As at 30 June 2016, the Group had 89 (31 December 2015: 34) full-time employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

The Group also adopts employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

MATERIAL ACQUISITIONS OR DISPOSAL

On 14 January 2016, the Company completed the acquisition of 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.

On 1 June 2016, the Company completed the acquisition of Jieyi Wenchuang, Jieyi Wenchuang is a company incorporated in Taiwan with limited liability and is principally engaged in the business of training, nurturing and managing E-sports teams and E-sport broadcasters. Upon completion, Jieyi Wenchuang became a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was NT\$1,151,000 (approximately HK\$276,000). Jieyi Wenchuang is currently operating an E-sports team called “J Team”, which holds the exclusive right to use the image and name of Mr. Jay Chou in the E-sports field.

On 7 July 2016, Kunshan Jieyi, a wholly owned subsidiary of the Company, Yujia Yule, an Independent Third Party, and Summer Eagle Limited, a wholly owned subsidiary of the Company entered into an agreement for the formation of the Joint Venture by Kunshan Jieyi and Yujia Yule. The Joint Venture will be principally engaged in the business of live webcast agency. Following the completion, the Joint Venture will be owned as to 51% by Kunshan Jieyi and as to 49% by Yujia Yule, and will become an indirect non-wholly owned subsidiary of the Company.

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

As at 30 June 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 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	18,375,000 (L)	1.1%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	73,825,000 (L) 18,246,223 (L)	4.4% 1.1%
Ms. Zhang Jing (Note 2)	Beneficial	32,000,000 (L)	1.9%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 73,825,000 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 also be interested in 18,246,223 shares.
2. Crown Smart Investment Limited ("Crown Smart") beneficially owns 32,000,000 shares. The ultimate 100% beneficial owner of Crown Smart is Neutrino Plus Limited, and Ms. Zhang Jing ("Ms. Zhang") is one of beneficiary owner of Neutrino Plus Limited. Under the SFO, Ms. Zhang is deemed to also be interested in 32,000,000 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	8,251,276 (L)	0.50%
Mr. Hsu Tung Chi	Beneficial	5,501,276 (L)	0.33%

(L) denotes long position

Save as disclosed above, as at 30 June 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 30 June 2016			
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 AND PERSONS HOLDING INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed, so far as is known to the Directors, as at 30 June 2016, the Directors were not aware of any 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 interest in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

COMPETING INTERESTS

The Directors believe that none of the directors, the management shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its respective associates had an interest in a business which competes or may compete either directly or indirectly with the business of the Group as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2016.

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

During the period ended 30 June 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 the Directors, the Directors have confirmed their compliance with such code of conduct and the required standard of dealings regarding securities transactions during the six months ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the Code and complied with the code provisions set out in the Code for the period ended 30 June 2016, except for the deviations from code provisions A4.2 as detailed in the Corporate Governance Report that the Chairman is not subject to retirement by rotation.

Code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Pursuant to the Bye-laws of the Company, any Director so appointed shall hold office only until the next following annual general meeting and so on from year to year until their places are filled. However, the Company believes that it is in the best interest of the Company's shareholders to transact this ordinary course of business in the annual general meeting and the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the interim reports and quarterly reports. As at 30 June 2016, 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 interim results for the six months ended 30 June 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 of the Company are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Mr. Chang Ching Lien, Mr. Lai Kwok Fai, Franki and Ms. Zhang Jing. 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, 12 August 2016