



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
2017**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of China Digital Culture (Group) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Hsu Tung Sheng (*Chairman*)
Hsu Tung Chi (*Chief Executive Officer*)
Chang Ching Lien
Zhang Jing
Lai Kwok Fai, Franki

Independent Non-executive Directors

Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

AUDIT COMMITTEE

Kwok Chi Sun, Vincent
Wong Tak Shing
Gou Yanlin

REMUNERATION COMMITTEE

Kwok Chi Sun, Vincent
Hsu Tung Chi
Gou Yanlin

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

Guantao & Chow, Solicitors &
Notaries

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 2017 together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Note	Three Months ended 31 March	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	50,867	50,427
Cost of services rendered		(19,058)	(21,444)
Gross profit		31,809	28,983
Other income		428	38
Administrative and other expenses		(12,417)	(12,384)
Finance costs		(1)	(2)
Share of results of a joint venture		(118)	–
Profit before taxation		19,701	16,635
Income tax expense	5	(4,822)	(4,213)
Profit for the period		14,879	12,422

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three Months ended 31 March	
	Note	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other comprehensive income for the period			
Foreign currency translation differences		359	719
Total comprehensive income for the period		15,238	13,141
Profit attributable to:			
– Equity holders of the Company		14,890	10,412
– Non-controlling interests		(11)	2,010
		14,879	12,422
Total comprehensive income attributable to:			
– Equity holders of the Company		15,165	10,994
– Non-controlling interests		73	2,147
		15,238	13,141
Dividends	6	–	–
Earnings per share			
– Basic	7	HK0.79 cents	HK0.80 cents
– Diluted		HK0.79 cents	HK0.80 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	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	Statutory reserve HK\$'000 (Note c)	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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
2017														
At 1 January 2017	75,277	900,607	10,084	(20,749)	138	(7,970)	7,541	5,251	3,707	(118,361)	780,248	855,525	24,336	879,861
Profit for the period and total comprehensive income for the period	-	-	-	-	-	359	-	-	-	14,890	15,249	15,249	73	15,322
Transactions with equity holders														
Issue of shares	224	2,130	-	-	-	-	-	-	-	-	2,130	2,354	-	2,354
Acquisition of additional interest of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	(32,437)	(32,437)	(32,437)	(25,563)	(58,000)
At 31 March 2017	75,501	902,737	10,084	(20,749)	138	(7,611)	7,541	5,251	3,707	(135,908)	765,190	840,691	(1,154)	839,537

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.
- Statutory reserve comprises statutory surplus reserves fund of the subsidiaries in the PRC and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.

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 licensing copyright content, managing eSports teams and webcast celebrities, operating film-based cultural parks and tourism focused projects and 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 2016 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

Socle Limited

On 28 December 2016, the Company entered into an acquisition agreement with an independent third party in relation to the acquisition of 35% of the issued share capital of Socle Limited (“Socle”), a non-wholly owned subsidiary of the Group. Socle and its subsidiaries (the “Socle Group”) are principally engaged in the business of licensing of professional sports events and entertainment content and investment holdings.

The consideration shall be an aggregate sum of up to HK\$58,000,000, to be paid by the Company in two separate tranches: (i) HK\$25,000,000 within 15 business days upon the execution of the agreement; (ii) HK\$33,000,000 within 5 business days from completion date.

The acquisition was completed on 10 January 2017. Upon the completion of the transaction, Socle Group has become a wholly owned subsidiary of the Group. The following summarised the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition.

	<i>HK\$'000</i>
Consideration paid to non-controlling interests	(58,000)
Carrying amount of non-controlling interests acquired	25,563
Difference recognised directly in equity	(32,437)

The Company shall pay HK\$58,000,000 in cash as consideration for the acquisition of Socle Group. The transaction costs of approximately HK\$388,000 have been excluded from the consideration transferred and included in administrative and other expenses in the consolidated statement of comprehensive income.

4. REVENUE

Revenue comprises the following business activities of the Group:

	Three months ended	
	31 March	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Entertainment	23,846	16,076
Sports	15,000	21,691
Theme Park	12,021	12,660
Total revenue	50,867	50,427

5. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current		
– Hong Kong	3,693	2,281
– PRC	1,129	1,932
	4,822	4,213

6. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2017 (31 March 2016: 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	
		2017	2016
		HK\$'000	HK\$'000
Profit attributable to equity holders of the Company		14,890	10,412
		2017	2016
		No. of shares	No. of shares
Note		'000	'000
Issued ordinary shares at 1 January		1,881,922	1,168,150
Effect of shares issued		4,172	135,904
Weighted average number of ordinary shares for basic earnings per share		1,886,094	1,304,054
Effect of dilutive potential shares from:			
– Unlisted warrants		–	N/A
– Share options		–	296
Weighted average number of ordinary shares for diluted earnings per share		1,886,094	1,304,350

8. EVENTS AFTER REPORTING PERIOD

- (a) On 30 November 2016, the Company entered into an acquisition agreement with Marvel Paramount International Limited, an independent third party, in relation to the acquisition of 100% of the issued share capital of Vector Vision Enterprises Limited and its subsidiaries (“Vector Group”), at a cash consideration of HK\$80,000,000. Vector Group is principally engaged in the celebrity and artists training course agency business. The acquisition of Vector Group was completed on 11 April 2017.
- (b) On 8 February 2017, the Company entered into a subscription agreement with an independent third party, to issue convertible bonds in the aggregate principal amount of HK\$412,500,000 at an interest rate of 5.5% per annum and carry the rights to convert into 750,000,000 ordinary shares of the Company at a conversion price of HK\$0.55 per conversion share (subject to adjustments). The convertible bonds will mature on the fifth anniversary from the date of issue.

The transaction was not completed as at the date of this report.

- (c) On 6 April 2017, the Company and JFJ Productions Corporation Limited (“the Grantor”) entered into the License Agreement in relation to, among others, the grant of exclusive right to the Company to use the name and likeness of Mr. Lim Junjie for the Company’s E-sports team at a total consideration of approximately HK\$10,000,000, to be paid by the Company to the Grantor or its nominee(s) by the issue of 22,650,056 Consideration Shares at the Issue Price of HK\$0.4415 per share. The transaction was completed on 2 May 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 March 2017, the Group recorded revenue of approximately HK\$50,867,000 (31 March 2016: HK\$50,427,000) and a profit attributable to shareholders of the Company of approximately HK\$14,890,000 (31 March 2016: approximately HK\$10,412,000). The business includes the sports, entertainment and theme park segments.

I. Sports Segment

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

During the three months ended 31 March 2017, the sports segment recorded revenue of approximately HK\$15,000,000 (31 March 2016: HK\$21,691,000). The decrease in revenue from the sports segment is primarily attributable to decreased revenue contribution from new licenses held by Socle during the period.

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 and promotional contracts.

The sports content licensing business is principally engaged in the licensing of sports content.

II. Entertainment Segment

The entertainment segment includes the music and movie/television content licensing business and the investment in movie and musical productions which is operated by Far Glory Limited (“Far Glory”) and Orient Digital Entertainment Limited (“ODE”), respectively. The entertainment segment also includes the Group’s eSports businesses which has both eSports teams with Mr. Jay Chou (周杰倫) and Mr. Jeremy Lin (林書豪) and also the Group’s webcast celebrity management operated by ODE’s PRC subsidiaries.

For the three months ended 31 March 2017, the entertainment segment recorded revenue of approximately HK\$23,846,000 (31 March 2016: approximately HK\$16,076,000). The increase in revenue is primarily attributable to increased sales of entertainment content and revenue from the eSports business.

III. Theme Park Segment

The theme park segment includes the film-based cultural theme park business and tourism focused projects which is operated by Dream World Holdings Limited (“Dream World”) and its subsidiaries (the “Dream World Group”). On 14 January 2016, the Company completed the acquisition of Dream World and Dream World has become a wholly-owned subsidiary of the Company.

For the three months ended 31 March 2017, the theme park segment recorded revenue of approximately HK\$12,021,000 (31 March 2016: HK\$12,660,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.

Dream World Group is principally engaged in the management and operations of film-based cultural theme parks and tourism focused projects. Dream World is currently operating the Huaqiao Dream World Movie and Cultural Theme Parks located in the Kunshan Huaqiao Economic Development Zone in the junction of Shanghai and Suzhou.

Outlook

The Group will continue its efforts to further develop its businesses in China's fast growing cultural, entertainment, and sports areas. The recent acquisitions along with the strong business relationships cultivated by the Group's experienced management team will help the Group to grow and prosper in 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 2017, the Group recorded an increase in revenue to approximately HK\$50,867,000 (31 March 2016: approximately HK\$50,427,000). The increase in revenue was primarily attributable to increased revenue contribution from the entertainment segments.

The Group's gross profit margin increased from 57.5% for the three months ended 31 March 2016 to 62.5% for the three months ended 31 March 2017. The increase was due to the higher 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\$14,890,000 (31 March 2016: profit of approximately HK\$10,412,000) as a result of the overall stronger performance from the entertainment segment.

Administrative and other expenses for the three months ended 31 March 2017 amounted to approximately HK\$12,417,000 (31 March 2016: approximately HK\$12,384,000), representing a slight increase compared to the same period last year.

MATERIAL ACQUISITION

On 30 November 2016, the Company entered into an acquisition agreement with Marvel Paramount International Limited, an independent third party, in relation to the acquisition of 100% of the issued share capital of Vector Vision Enterprises Limited and its subsidiaries (“Vector Group”), at a cash consideration of HK\$80,000,000. Vector Group is principally engaged in the celebrity and artists training course agency business. The transaction was completed on 11 April 2017.

On 28 December 2016, the Company entered into an acquisition agreement with an independent third party in relation to the acquisition of 35% of the issued share capital of Socle, a non-wholly owned subsidiary of the Group, at a cash consideration of HK\$58,000,000. Socle and its subsidiaries are principally engaged in the business of licensing sports content. The acquisition was completed on 10 January 2017.

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

As at 31 March 2017, 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 owner	18,375,000 (L)	0.97%
Mr. Hsu Tung Chi (Note 1)	Beneficial owner	186,639,559 (L)	9.89%
	Interest of controlled corporation	18,246,223 (L)	0.97%
Daily Technology Company Limited (Note 1)	Beneficial owner	18,246,223 (L)	0.97%
Ms. Zhang Jing (Note 2)	Beneficial owner	48,000,000 (L)	2.54%
	Interest of beneficiary of a trust	32,000,000 (L)	1.70%
Mr. Lai Kwok Fai, Franki (Note 3)	Beneficial owner	960,000 (L)	0.05%
	Interest of controlled corporation	53,523,437 (L)	2.84%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 186,639,559 shares. Daily Technology Company Limited ("Daily Technology") beneficially owns 18,246,223 shares, which is in turn wholly owned by Mr. Hsu. Under the SFO, Mr. Hsu is deemed to be interested in 18,246,223 shares.
2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 48,000,000 shares. Crown Smart Investment beneficially owns 32,000,000 shares, Ms. Zhang is deemed to be interested in these shares by virtue of her being an ultimate beneficial owner of Crown Smart.
3. Mr. Lai Kwok Fai, Franki ("Mr. Lai") beneficially owns 960,000 shares. Earn Wise Limited ("Earn Wise") beneficially owns 53,523,437 shares, which is in turn wholly owned by Mr. Lai. Under the SFO, Mr. Lai is deemed to also be interested in 53,523,437 shares.

(ii) Interest in underlying shares of the convertible bonds

Name of director	Nature of interests	Principal amount of the convertible bonds	Number of underlying	Approximate percentage of interests
Mr. Lai Kwok Fai, Franki (Note)	Interest of controlled corporation	HK\$14,640,000	30,500,000 (L)	1.62%

Note:

Earn Wise is beneficially owned as to 100% by Mr. Lai. The underlying shares represented the new shares to be issued upon full conversion of HK\$14,640,000 convertible bonds held by Earn Wise, at the initial conversion price of HK\$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interest in 30,500,000 underlying shares.

(L) denotes long position

(iii) 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	0.44%
Mr. Hsu Tung Chi	Beneficial	5,501,276	0.29%

Save as disclosed above, as at 31 March 2017, 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 2017	during the period	during the period	at 31 March 2017			
					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 2017, 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
Ms. Chuang Meng Hua (Note 1)	Interest of a sponsor	204,885,782	10.86%
Best Million Holdings Limited (Note 2)	Beneficial owner	189,976,405 (L)	10.06%
Ms. Ma Hsin-Ting (Note 2)	Interest of controlled corporation	189,976,405 (L)	10.06%
Ease Wing Limited (Note 3)	Beneficial owner	114,816,406 (L)	6.08%
Mr. Ho Chi Sing (Note 3)	Interest of controlled corporation	114,816,406 (L)	6.08%

(L) denotes long position

Notes:

- Ms. Chuang Meng Hua is the spouse of Mr. Hsu Tung Chi, therefore, pursuant to the SFO, she is deemed to be interested in all the shares in which Mr. Hsu is interested.
- Best Million Holdings Limited ("Best Million") is wholly and beneficially owned by Ms. Ma Hsin-Ting ("Ms. Ma"). Best Million beneficially owns 189,976,405 shares. Under the SFO, Ms. Ma is deemed to be interested in 189,976,405 shares held by Best Million.
- Ease Wing Limited ("Ease Wing") is wholly and beneficially owned by Mr. Ho Chi Sing ("Mr. Ho"). Ease Wing beneficially owns 114,816,406 shares. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares held by Ease Wing.

Save as disclosed above, as at 31 March 2017, 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 2017.

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

During the period ended 31 March 2017, 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 2017.

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 2017, 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 2017 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, Ms. Zhang Jing, Mr. Chang Ching Lien and Mr. Lai Kwok Fai, Franki. 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, 15 May 2017