



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
2017

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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

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SHARE REGISTRAR

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PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

WEBSITE ADDRESS

www.cdculture.com

STOCK CODE

8175

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30 June 2017 together with the comparative figures for the corresponding periods in 2016, 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 2017

	Note	Three months ended 30 June		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	81,457	64,110	132,324	114,537
Cost of services rendered and cost of goods sold		(37,442)	(33,578)	(56,500)	(55,022)
Gross profit		44,015	30,532	75,824	59,515
Other income/(expense)		(353)	257	75	295
Administrative and other expenses		(14,930)	(9,671)	(27,347)	(22,055)
Finance costs		(876)	(130)	(877)	(132)
Share of results of a joint venture		(617)	-	(735)	-
Profit before taxation	6	27,239	20,988	46,940	37,623
Income tax expense	7	(6,362)	(4,460)	(11,184)	(8,673)
Profit for the period		20,877	16,528	35,756	28,950

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2017

	Note	Three months ended 30 June		Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other comprehensive income for the period					
Foreign currency translation differences		2,541	(2,347)	2,900	(1,628)
Total comprehensive income for the period		23,418	14,181	38,656	27,322
Profit attributable to:					
– Equity holders of the Company		20,997	14,593	35,887	25,005
– Non-controlling interests		(120)	1,935	(131)	3,945
		20,877	16,528	35,756	28,950
Total comprehensive income attributable to:					
– Equity holders of the Company		23,630	12,313	38,795	23,307
– Non-controlling interests		(212)	1,868	(139)	4,015
		23,418	14,181	38,656	27,322
Dividends	8	–	–	–	–
Earnings per share	9				
– Basic		1.10 cents	HK0.91 cents	1.89 cents	HK1.72 cents
– Diluted		1.10 cents	HK0.91 cents	1.89 cents	HK1.72 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		21,272	21,102
Intangible assets		304,027	255,547
Goodwill		714,871	673,073
Other investment		28,781	–
Interest in joint ventures		4,174	5,012
Available-for-sale financial assets		11,512	11,159
Deposit for acquisition of a subsidiary		–	40,000
Loans to and due from joint ventures		3,403	5,591
		1,088,040	1,011,484
Current assets			
Inventories		6,271	6,180
Financial assets at fair value through profit or loss		30,916	20,916
Accounts and other receivables	10	207,888	211,922
Bank balances and cash		396,314	48,058
		641,389	287,076
Current liabilities			
Accounts and other payables	11	104,007	75,405
Interest-bearing borrowings		3,345	6,418
Contingent consideration – convertible bonds		237,927	117,999
Tax payable		36,879	34,119
		382,158	233,941
Net current assets		259,231	53,135
Total assets less current liabilities		1,347,271	1,064,619

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Non current liabilities			
Interest-bearing borrowings		-	612
Convertible bonds	12	412,650	10,999
Consideration payable for intangible asset		-	3,022
Contingent consideration – convertible bonds		-	119,928
Deferred tax liabilities		50,197	50,197
		462,847	184,758
NET ASSETS		884,424	879,861
Capital and reserves			
Share capital		76,407	75,277
Reserves		809,383	780,248
Equity attributable to equity holders of the Company		885,790	855,525
Non-controlling interests		(1,366)	24,336
TOTAL EQUITY		884,424	879,861

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2017

	Attributable to equity holders of the Company														
	Reserves														
	Share capital	Share premium	Special reserve	Capital reserves	Warrant reserve	Foreign currency		Share option reserve	Statutory reserve	Convertible bonds		Accumulated losses	Total reserves	Non-controlling interests	Total
						translation reserve	reserve			reserve	reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Note a)	(Note b)					(Note c)							
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	
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	-	-	-	-	-	2,900	-	-	-	35,887	38,787	38,787	(139)	38,648	
Transaction with equity holders															
Issue of consideration shares for acquisition of intangible assets	1,130	11,869	-	-	-	-	-	-	-	-	11,869	12,999	-	12,999	
Issue of convertible bonds	-	-	-	-	-	-	-	-	10,916	-	10,916	10,916	-	10,916	
Acquisition of additional interest of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	(32,437)	(32,437)	(32,437)	(25,563)	(58,000)	
At 30 June 2017	76,407	912,476	10,084	(20,749)	138	(5,070)	7,541	5,251	14,623	(114,911)	809,383	885,790	(1,366)	884,424	

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 which 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 People's Republic of China ("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.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2017

	Six months ended 30 June 2017 (Unaudited) HK\$'000	Six months ended 30 June 2016 (Unaudited) HK\$'000
Net cash from/(used in) operating activities	79,319	(42,268)
Net cash used in investing activities	(156,323)	(134,111)
Net cash outflow before financing activities	(77,004)	(176,379)
Net cash from financing activities	421,881	157,755
Net increase (decrease) in cash and cash equivalents	344,877	(18,624)
Cash and cash equivalents at beginning of the period	48,058	63,792
Effect of exchange rate fluctuations, net	3,379	(1,685)
Cash and cash equivalents at end of the period	396,314	43,483

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company's shares are listed on GEM of 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 in the business of providing marketing and promotional services for professional athletes.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the six months ended 30 June 2017 have 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 statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). These condensed consolidated financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

These condensed consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the preparation of the annual financial statements for the year ended 31 December 2016. 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 (the "Acquisition Agreement") with an independent third party in relation to the acquisition (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 ("Socle Group") are principally engaged in the business of licensing of professional sports events and entertainment content and investment holdings.

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

The Acquisition was completed on 10 January 2017. Upon completion of the Acquisition, Socle became a wholly owned subsidiary of the Group. The following summarises the consideration paid, the assets acquired and liabilities assumed at the date of the Acquisition.

	HK\$'000
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 transaction costs of approximately HK\$388,000 have been excluded from the consideration transferred but included in administrative and other expenses in the condensed consolidated statement of comprehensive income presented herein.

3. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Vector Vision Enterprises Limited

On 11 April 2017, the Company completed the acquisition (the “Vector Acquisition”) of Vector Vision Enterprises Limited (“Vector Vision”) and its subsidiaries (together, “Vector Group”). Vector Vision is a company incorporated in British Virgin Islands with limited liability and is principally engaged in the celebrity and artists training course agency business. Upon completion of the Vector Acquisition, Vector Vision became a wholly-owned subsidiary of the Company. The aggregate cash consideration of the Vector Acquisition was HK\$80,000,000. The purpose of this acquisition was to diversify and enhance the Company’s business segments.

The following summarises the consideration paid, the assets acquired and liabilities assumed at the date of the Vector Acquisition:

	(unaudited) HK\$’000
Consideration:	
Cash paid	80,000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Intangible asset	37,952
Accounts and other receivables	2,311
Bank balances and cash	16
Accounts and other payables	(1,973)
Tax payable	(103)
Total identifiable net assets	38,203
Goodwill arising on acquisition	41,797
	80,000

3. ACQUISITION OF SUBSIDIARIES (CONTINUED)
Vector Vision Enterprises Limited (continued)

(unaudited)
HK\$'000

Net cash outflow on acquisition of subsidiaries:

Net cash acquired from subsidiaries	16
Consideration paid in cash	(80,000)
	(79,984)

The transaction costs of approximately HK\$355,000 have been excluded from the consideration transferred but included in administrative and other expenses in the condensed consolidated statement of comprehensive income presented herein.

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 purpose.

Since the acquisition, Vector Group have contributed approximately HK\$6,108,000 in revenue and HK\$870,000 in profit before taxation into the Group.

If the business combinations effected during the year had taken place on 1 January 2017, the revenue and profit for the Group would have been approximately HK\$134,506,000 and HK\$36,452,000 respectively.

4. REVENUE

Revenues were derived from the following business activities of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Entertainment	54,121	34,234	77,967	50,310
Sports	20,678	17,223	35,678	38,914
Theme Park	6,658	12,653	18,679	25,313
Total revenue	81,457	64,110	132,324	114,537

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

	2017 (Unaudited)				2016 (Unaudited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Consolidated HK\$'000	Entertainment HK\$'000 (restated)	Sports HK\$'000	Theme park HK\$'000 (restated)	Consolidated HK\$'000
Segment revenue								
Sale to external customers	77,967	35,678	18,679	132,324	50,310	38,914	25,313	114,537
Segment results	28,154	14,586	12,275	55,015	15,118	18,544	15,142	48,804
Unallocated income				3				266
Unallocated expenses				(8,078)				(11,447)
Profit before taxation				46,940				37,623
Taxation				(11,184)				(8,673)
Profit for the period				35,756				28,950

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 represent the results achieved by each segment without allocation of central administration costs including Directors' emoluments, investment and other income, other gains and losses, finance costs, and income tax expenses. The measurement method described above was the 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 2017 (Unaudited)				31 December 2016 (Audited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000
Assets before the following items:	165,622	63,948	65,562	295,132	195,485	71,125	52,019	318,629
Goodwill	211,270	105,635	397,966	714,871	169,472	105,635	397,966	673,073
Intangible assets	93,037	17,709	193,281	304,027	49,857	9,907	195,783	255,547
Loans to and due from joint ventures	3,403	-	-	3,403	5,591	-	-	5,591
Interest in joint renatures	4,174	-	-	4,174	5,012	-	-	5,012
Segment assets	477,506	187,292	656,809	1,321,607	425,417	186,667	645,768	1,257,852
Unallocated assets				407,822				40,708
Consolidated total assets				1,729,429				1,298,560
Segment liabilities	72,007	38,251	318,578	428,836	65,209	37,649	308,804	411,662
Unallocated liabilities				416,169				7,037
Consolidated total liabilities				845,005				418,699

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

- All assets are allocated to operating segments; and
- Other than convertible bonds, all liabilities are allocated to the sales/service activities of individual segments.

5. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information

Six months ended 30 June

	2017 (Unaudited)				2016 (Unaudited)			
	Entertainment	Sports	Theme park	Total	Entertainment	Sports	Theme park	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(restated)	(restated)	(restated)	
Amortisation of intangible assets	(5,368)	(2,843)	(2,502)	(10,713)	(2,286)	(3,138)	(2,502)	(7,926)
Depreciation of property, plant and equipment	(334)	(44)	(3)	(381)	(427)	(52)	(2)	(479)
Capital expenditure	(11,147)	(10,645)	-	(21,792)	(47,211)	(12,091)	(63,101)	(122,403)

(d) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
Hong Kong	56,741	74,826	262,443	338,343
PRC	68,904	39,233	794,586	638,803
Taiwan	6,679	478	11,922	12,576
	132,324	114,537	1,068,951	989,722

6. PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Amortisation of intangible assets	4,366	1,533	10,713	7,926
Depreciation	162	303	381	479

7. 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 for the three months and six months ended 30 June 2017 and 2016. 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 three months and six months ended 30 June 2017 and 2016 based on existing legislation, interpretations and practices in respect thereof.

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current				
– Hong Kong	1,318	4,311	5,011	6,592
– PRC	5,030	149	6,159	2,081
	6,348	4,460	11,170	8,673

8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2017 (2016: Nil).

9. 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	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	20,997	14,593	35,887	25,005

	Number of shares		Number of shares	
	2017	2016	2017	2016
Shares				
Weighted average number of ordinary shares in issue during the period	1,903,704,725	1,597,174,418	1,894,947,945	1,451,423,742
Basic earnings per share	HK1.10 cents	HK0.91 cents	HK1.89 cents	HK1.72 cents

9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	20,997	14,593	35,887	25,005
	Number of shares		Number of shares	
	2017	2016	2017	2016
Shares				
Weighted average number of ordinary shares in issue during the period	1,903,704,725	1,597,174,418	1,894,947,945	1,451,423,742
Effect of dilutive potential ordinary shares:				
Options	-	6,850,208	-	4,874,708
Warrants	-	-	-	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,903,704,725	1,604,024,626	1,894,947,945	1,456,298,450
Diluted earnings per share	HK1.10 cents	HK0.91 cents	HK1.89 cents	HK1.72 cents

10. ACCOUNTS AND OTHER RECEIVABLES

Note	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Accounts receivable		
From third parties	142,859	113,912
Other receivables		
Deposits, prepayments and other receivables	18,401	23,661
Prepayments to licensors and suppliers	43,340	45,177
Receivable from disposal of available-for-sale financial asset	–	15,000
Refund of deposits of available-for-sale financial asset	–	10,713
Due from directors of subsidiaries of the Company	2,708	2,624
Due from Directors	580	835
	65,029	98,010
	207,888	211,922

An ageing analysis of the accounts receivable is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Current	24,400	19,865
Less than 1 month past due	46,074	67,614
1 month to 3 months past due	38,846	24,944
3 months to 12 months past due	33,539	855
Over 1 year past due	–	634
	118,459	94,047
	142,859	113,912

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

11. ACCOUNTS AND OTHER PAYABLES

	<i>Note</i>	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Accounts payable			
Accounts payable	(i)	60,064	14,852
Other payables			
Accrued charges and other payables		29,303	30,648
Other loan		1,151	13,391
Deferred income		158	33
Due to the Directors	(ii)	1,381	2,202
Due to a joint venture	(iii)	2,657	5,590
Due to directors of subsidiaries of the Company	(iv)	9,293	8,689
		43,943	60,553
		104,007	75,405

(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 the Directors

The amounts due to the 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 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.

(iv) Due to directors of subsidiaries of the Company

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. CONVERTIBLE BONDS

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 with the right 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 completed on 19 June 2017.

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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	10,576	6,772
In the second to fifth years inclusive	39,897	42,135
Over five years	4,275	13,047
	54,748	61,954

14. EVENTS AFTER REPORTING PERIOD

There has been no material subsequent events from 30 June 2017 up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group recorded revenues of approximately HK\$132,324,000 (30 June 2016: HK\$114,537,000) and a profit attributable to equity holders of the Company of approximately HK\$35,844,000 (30 June 2016: HK\$25,005,000). The businesses of the Group include the sports, entertainment and theme park segments.

I. Sports Segment

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

During the six months ended 30 June 2017, the sports segment recorded revenues of approximately HK\$35,678,000 (30 June 2016: HK\$38,914,000). The decrease in revenue from the sports segment is primarily attributable to the decrease in revenue contribution from sale of new licenses held by 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. 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 celebrity E-sports teams and the live webcast agency business.

For the six months ended 30 June 2017, the entertainment segment recorded revenues of approximately HK\$77,967,000 (30 June 2016: HK\$50,310,000). The increase in revenue is primarily attributable to the planning and design services for Mr. Jay Chou's concerts in the PRC.

On 11 April 2017, the Company completed the acquisition of Vector Vision. Vector Vision was appointed by LEP Academy as the exclusive agent in the PRC for the celebrities and artists training courses provided by LEP Academy.

III. Theme Park Segment

The theme park segment includes the film-based cultural theme park business and tourism focused projects which are 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 which became a wholly-owned subsidiary of the Company.

For the six months ended 30 June 2017, the theme park segment recorded revenues of approximately HK\$18,679,000 (30 June 2016: HK\$25,313,000). 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 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 2017, the Group recorded revenues of HK\$132,324,000 as compared to HK\$114,537,000 in the same period in 2016. The increase in revenue is primarily attributable to the stronger performance from the entertainment businesses.

The Group reported a net profit attributable to equity holders of approximately HK\$35,887,000 for the six months ended 30 June 2017, compared to a net profit attributable to equity holders of approximately HK\$25,005,000 in the corresponding period of in 2016. This increase is due to stronger performance from the entertainment segment.

Administrative and other expenses for the six months ended 30 June 2017 amounted to approximately HK\$27,347,000 (30 June 2016: approximately HK\$22,055,000), representing an increase of approximately 24% compared with the same period of last year. The increase is primarily due to the increase in legal and professional fees associated with various acquisitions and the application for the transfer of the listing from GEM to the Main Board of the Stock Exchange.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately HK\$641,389,000 (31 December 2016: HK\$287,076,000) and current liabilities of approximately HK\$382,158,000 (31 December 2016: HK\$233,941,000). The current assets were comprised mainly of cash and bank balances of approximately HK\$396,314,000 (31 December 2016: HK\$48,058,000) together with accounts and other receivables of approximately HK\$207,888,000 (31 December 2016: HK\$211,922,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$104,007,000 (31 December 2016: HK\$75,405,000). The Group had approximately HK\$3,345,000 interest-bearing borrowings (31 December 2016: HK\$7,030,000) and approximately HK\$412,650,000 of convertible bonds at 30 June 2017 (31 December 2016: HK\$10,999,000).

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 2017, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Gearing ratio

The gearing ratio (total borrowings/total equity) was 47% (31 December 2016: 0.80%). As at 30 June 2017, total borrowings of the Group amounted to approximately HK\$415,995,000 (31 December 2016: HK\$7,030,000).

CHARGES ON GROUP ASSETS

As at 30 June 2017, there is no charge on the assets of the Group to secure the bank borrowings and the available banking facilities.

Foreign exchange risk

Since almost all transactions of the Group are denominated either in Renminbi or 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 2017, the Group had no material contingent liabilities.

Employee information

As at 30 June 2017, the Group had 100 (31 December 2016: 99) 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 has an 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 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, 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 30 June 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 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 referred 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 and underlying shares

Name of Director	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial owner	18,375,000 (L)	1.0%
Mr. Hsu Tung Chi	Beneficial owner and interest of controlled corporation (Note 1)	288,715,782 (L)	15.1%
Ms. Zhang Jing	Beneficial owner and interest of beneficiary of a trust (Note 2)	85,853,659 (L)	4.5%
Mr. Lai Kwok Fai, Franki	Beneficial owner and interest of controlled corporation (Note 3)	79,129,778 (L)	4.1%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 270,469,559 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 also deemed to be interested in the shares held by Daily Technology.
2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 53,853,659 shares. 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 is one of the beneficial owners of Neutrino Plus Limited. Under the SFO, Ms. Zhang is also deemed to be interested in the shares held by Crown Smart.
3. Mr. Lai Kwok Fai, Franki ("Mr. Lai") beneficially owns 960,000 shares. Earn Wise Limited ("Earn Wise") beneficially owns 47,669,778 shares, and Earn Wise is in turn wholly owned by Mr. Lai. Under the SFO, Mr. Lai is also deemed to be interested in the shares held by Earn Wise.

Earn Wise holds convertible bonds in the principal amount of HK\$14,640,000 convertible to 30,500,000 shares at the initial conversion price of HK\$0.48 per conversion share. Under the SFO, Mr. Lai is deemed to be interested in the 30,500,000 shares underlying the convertible bonds held by Earn Wise.

Save as disclosed above, as at 30 June 2017, none of the Directors nor the 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 during the six months ended	Lapsed during the six months ended	Outstanding at	Exercise price HK\$	Grant date	Exercisable period
	1 January 2017	30 June 2017	30 June 2017	30 June 2017			
Directors							
Mr. Hsu Tung Sheng	8,251,276	-	8,251,276	-	0.4572	10 June 2014	10 June 2014-9 June 2017
Mr. Hsu Tung Chi	5,501,276	-	5,501,276	-	0.4572	10 June 2014	10 June 2014-9 June 2017
Consultant							
Willing International Capital (Shanghai) Company Limited	5,501,276	-	5,501,276	-	0.4572	10 June 2014	10 June 2014-9 June 2017
Employees	22,008,932	-	22,008,932	-	0.4572	10 June 2014	10 June 2014-9 June 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

So far as is known to the Directors, as at 30 June 2017, the following persons (not being a Director 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Interest in Shares

Name of substantial shareholder	Nature of interests	Number of ordinary shares held	Approximate percentage of shareholding
Ms. Chuang Meng Hua (Note 1)	Interest of a spouse	288,715,782 (L)	15.1%
Best Million Holdings Limited (Note 2)	Beneficial owner	189,976,405 (L)	9.9%
Ms. Ma Hsin-Ting (Note 2)	Interest of controlled corporation	189,976,405 (L)	9.9%
Ease Wing Limited (Note 3)	Beneficial owner	114,816,406 (L)	6.0%
Mr. Ho Chi Sing (Note 3)	Interest of controlled corporation	114,816,406 (L)	6.0%

(L) denotes long position

Notes:

- Ms. Chuang Meng Hua is the spouse of Mr. Hsu, 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 the 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, so far as is known to the Directors, as at 30 June 2017, 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 or which would be recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTERESTS

The Directors believe that none of the Directors, the controlling shareholders, the substantial shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete either directly or indirectly with the business of the Group, or has any other conflict of interests with the Group which would require disclosure pursuant to rule 11.04 of the GEM Listing Rules during the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, the Company did not redeem any of its shares and neither the Company nor any of its subsidiaries purchased or sold 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 Company has confirmed the Directors' compliance with such code of conduct and the required standard of dealings regarding securities transactions during the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (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 six months ended 30 June 2017.

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 2017, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom 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 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.

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

Hong Kong, 14 August 2017

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.