



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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8175)

**THIRD QUARTERLY
REPORT
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
(resigned on 19 October 2017)
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

THIRD QUARTERLY 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 nine months ended 30 September 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	100,617	53,982	232,941	168,519
Cost of services rendered and cost of good sold		(60,774)	(23,065)	(117,274)	(78,087)
Gross profit		39,843	30,917	115,667	90,432
Other income		745	131	820	426
Administrative and other expenses		(17,470)	(11,140)	(44,817)	(33,195)
Finance costs		(5,880)	(114)	(6,757)	(246)
Share of results of a joint venture		54	-	(681)	-
Profit before taxation		17,292	19,794	64,232	57,417
Income tax expense	5	(6,368)	(4,634)	(17,552)	(13,307)
Profit for the period		10,924	15,160	46,680	44,110

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		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		(442)	(440)	2,458	(2,068)
Total comprehensive income for the period		10,482	14,720	49,138	42,042
Profit attributable to:					
– Equity holders of the Company		10,825	13,678	46,712	38,683
– Non-controlling interest		99	1,482	(32)	5,427
		10,924	15,160	46,680	44,110
Total comprehensive income attributable to:					
– Equity holders of the Company		10,369	13,354	49,164	36,661
– Non-controlling interest		113	1,366	(26)	5,381
		10,482	14,720	49,138	42,042
Dividends	6	-	-	-	-
Earnings per share	7				
– Basic		HK0.57 cents	HK0.79 cents	HK2.46 cents	HK2.50 cents
– Diluted		HK0.57 cents	HK0.79 cents	HK2.46 cents	HK2.50 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2017

	Attributable to equity holders of the Company													Total HK\$'000
	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	
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	-	-	-	-	-	(2,068)	-	-	-	38,683	36,615	36,615	5,381	41,996
Transactions 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
Issue of convertible bonds upon acquisition	-	-	-	-	-	-	-	-	120,000	-	120,000	120,000	-	120,000
Conversion of convertible bonds	8,760	96,600	-	-	-	-	-	-	(105,360)	-	(8,760)	-	-	-
Equity settled share-based payment	-	-	-	-	-	-	1,181	-	-	-	1,181	1,181	-	1,181
Non-controlling interest arising from incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	4,222	4,222
At 30 September 2016	75,257	900,627	10,084	(20,749)	138	(4,408)	7,541	-	14,640	(143,287)	764,586	839,843	35,893	875,736
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	-	-	-	-	-	2,458	-	-	-	46,712	49,170	49,170	(26)	49,144
Transactions with equity holders														
Issue of consideration shares for acquisition of intangible assets	1,130	11,869	-	-	-	-	-	-	-	11,869	12,999	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 September 2017	76,407	912,476	10,084	(20,749)	138	(5,512)	7,541	5,251	14,623	(104,086)	819,766	896,173	(1,253)	894,920

Notes:

- 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 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 the business of providing copyright content to end-users through well-established platforms, operating E-sports and webcast celebrity businesses, operating film-based cultural parks and tourism focused projects and providing marketing and promotional services for professional athletes.

2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These 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 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"), what was then a non-wholly owned subsidiary of the Group. Socle and its subsidiaries (collectively, "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 on 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.

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 on 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
	(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\$7,349,000 in revenue and HK\$2,370,000 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\$235,123,000 and HK\$47,376,000 respectively.

4. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000 (restated)
Entertainment	82,733	29,109	160,700	79,419
Sports	13,239	12,491	48,917	51,405
Theme Park	4,645	12,382	23,324	37,695
Total revenue	100,617	53,982	232,941	168,519

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 30 September		Nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current				
– Hong Kong	635	2,785	5,646	9,377
– PRC	5,733	1,849	11,906	3,930
	6,368	4,634	17,552	13,307

6. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2017 (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:

(a) Basic earnings per share

	Three months ended		Nine months ended	
	30 September		30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	10,825	13,678	46,712	38,683

	Number of shares		Number of shares	
	2017	2016	2017	2016
Shares				
Weighted average number of ordinary shares in issue during the period	1,910,176,170	1,737,603,830	1,900,079,801	1,547,865,047
Basic earnings per share	HK0.57 cents	HK0.79 cents	HK2.46 cents	HK2.50 cents

(b) Diluted earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
	Profit attributable to equity holders of the Company	10,825	13,678	46,712

	Number of shares		Number of shares	
	2017	2016	2017	2016
Shares				
Weighted average number of ordinary shares in issue during the period	1,910,176,170	1,737,602,830	1,900,079,801	1,547,865,047
Effect of dilutive potential ordinary shares:				
Warrants	-	-	-	-
Options	-	2,261,338	-	4,467,454
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,910,176,170	1,739,864,168	1,900,079,801	1,552,332,501
Diluted earnings per share	HK0.57 cents	HK0.79 cents	HK2.46 cents	HK2.50 cents

8. 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.

9. EVENTS AFTER REPORTING PERIOD

On 6 October 2017, Summer Eagle Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with Mr. Yi Yongdong, an independent third party, in relation to the acquisition of 100% of the issued share capital of The Players Limited (“The Players”), at an aggregate consideration of HK\$46,400,000, of which HK\$35,000,000 shall be payable by cash and \$11,400,000 shall be payable by the ordinary shares of the Company at the price of HK\$0.38 per share, subject to the fulfillment of the Profit Guarantee. The Players is principally engaged in the operation of a E-sports institute which provides E-sports education and training classes in Hong Kong. The acquisition was not completed as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2017, the Group recorded a revenues of approximately HK\$232,941,000 (30 September 2016: HK\$168,519,000) and a profit attributable to equity holders of the Company of approximately HK\$46,712,000 (30 September 2016: HK\$38,683,000). The business of the Group 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 nine months ended 30 September 2017, the sports segment recorded revenues of approximately HK\$48,917,000 (30 September 2016: HK\$51,405,000). The decrease in revenue from the sports segment is primarily attributable to a decrease in revenue contribution from the 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 nine months ended 30 September 2017, the entertainment segment recorded revenues of approximately HK\$160,700,000 (30 September 2016: approximately HK\$79,419,000). The increase in revenue is primarily attributable to the planning and design services for Mr. Jay Chou's concerts in the PRC.

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 (collectively 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 nine months ended 30 September 2017, the theme park segment recorded revenues of approximately HK\$23,324,000 (30 September 2016: HK\$37,695,000). 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 webcast businesses.

FINANCIAL REVIEW

For the nine months ended 30 September 2017, the Group recorded revenues of HK\$232,941,000 as compared to HK\$168,519,000 in the same period in 2016. The increase in revenue is primarily attributable to revenue contribution from the entertainment businesses.

The Group reported a net profit attributable to equity holders of approximately HK\$46,712,000 for the nine months ended 30 September 2017, compared to a net profit of approximately HK\$38,683,000 in the corresponding period in 2016. This increase is due to stronger performance from the entertainment segment.

Administrative and other expenses for the nine months ended 30 September 2017 amounted to approximately HK\$44,817,000 (30 September 2016: approximately HK\$33,195,000), representing an increase of approximately 35% compared with the same period 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.

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, what was then 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.

On 6 October 2017, Summer Eagle Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with Mr. Yi Yongdong, an independent third party, in relation to the acquisition of 100% of the issued share capital of The Players Limited (“The Players”), at an aggregate consideration of HK\$46,400,000, of which HK\$35,000,000 shall be payable by cash and \$11,400,000 shall be payable by the ordinary shares of the Company at the price of HK\$0.38 per share, subject to the fulfillment of the Profit Guarantee. The Players is principally engaged in the operation of a E-sports institute which provides E-sports education and training classes in Hong Kong. The acquisition was not completed as at the date of this report.

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

As at 30 September 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 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/ chief executive	Nature of interests	Number or attributable number of ordinary shares in the Company held	Approximate percentage or attributable percentage of shareholding in the Company
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 September 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 30 September 2017			
Directors/chief executive							
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 OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 September 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 of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO 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 or attributable number of ordinary shares in the Company held	Approximate percentage or attributable percentage of shareholding in the Company
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%

Notes:

1. 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.
2. 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.
3. 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 30 September 2017, the Directors 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTERESTS

The Directors believe that none of the Directors, the controlling shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective close 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 under rule 11.04 of the GEM Listing Rules during the nine months ended 30 September 2017.

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

During the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 September 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 quarterly results for the nine months ended 30 September 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

As at the date of this report, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi, Ms. Zhang Jing and Mr. Lai Kwok Fai, Franki. The independent non-executive directors are Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin.

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

Hong Kong, 14 November 2017