



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 2018



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Main Board of 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.**

**Given that companies listed on GEM are generally small and mid-sized companies, 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*)  
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**

Elite Partners CPA Limited  
*Certified Public Accountants*  
10/F, 8 Observatory Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

## **HONG KONG LEGAL ADVISER**

Guantao & Chow  
Solicitors and Notaries  
Suites 1604-06, 16  
ICBC Tower  
3 Garden Road  
Central  
Hong Kong

## **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

## **BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Estera Management (Bermuda) Ltd  
Canon's Court  
22 Victoria Street  
Hamilton HM EX  
Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **PRINCIPAL BANKER**

Standard Chartered Bank  
(Hong Kong) Limited  
Nanyang Commercial Bank  
Bank of Communication

## **WEBSITE ADDRESS**

[www.cdculture.com](http://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 2018 together with the restated comparative figures for the corresponding period in 2017, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Note	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
Revenue	3	75,509	50,867
Cost of services rendered		(43,207)	(19,058)
Gross profit		32,302	31,809
Other income		330	428
Administrative and other expenses		(16,870)	(15,143)
Finance costs		(8,154)	(231)
Fair value change on contingent consideration		–	(6,985)
Share of results of a joint venture		(624)	(118)
<b>Profit before taxation</b>		<b>6,984</b>	9,760
Income tax expense	4	(2,718)	(4,140)
<b>Profit for the period</b>		<b>4,266</b>	5,620

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

		<b>Three months ended 31 March</b>	
	Note	<b>2018 (Unaudited) HK\$'000</b>	2017 (Unaudited) (restated) HK\$'000
<b>Other comprehensive income for the period</b>			
Foreign currency translation differences		<b>3,137</b>	359
Total comprehensive income for the period		<b>7,403</b>	5,979
<b>Profit attributable to:</b>			
– Equity holders of the Company		<b>4,305</b>	5,631
– Non-controlling interests		<b>(39)</b>	(11)
		<b>4,266</b>	5,620
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		<b>7,590</b>	5,906
– Non-controlling interests		<b>(187)</b>	73
		<b>7,403</b>	5,979
<b>Dividends</b>	5	–	–
<b>Earnings per share</b>			
– Basic	6	<b>HK0.22 cents</b>	HK0.30 cents
– Diluted		<b>HK0.22 cents</b>	HK0.30 cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	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
<b>2017</b>														
At 1 January 2017 (restated)	75,277	921,248	10,084	(20,749)	138	(7,970)	7,541	5,251	9,056	(182,118)	742,481	817,758	24,336	842,094
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	275	-	-	-	5,631	5,906	5,906	73	5,979
<b>Transactions with equity holders</b>														
Issue of shares	224	2,130	-	-	-	-	-	-	-	-	2,130	2,354	-	2,354
Acquisition of additional interest of a subsidiary	-	-	-	-	-	-	-	-	-	(32,437)	(32,437)	(32,437)	(25,563)	(58,000)
At 31 March 2017 (restated)	75,501	923,378	10,084	(20,749)	138	(7,695)	7,541	5,251	9,056	(208,924)	718,080	793,581	(1,154)	792,427
<b>2018</b>														
At 1 January 2018	77,607	948,417	10,084	(20,749)	-	370	-	8,731	60,928	(187,439)	820,342	897,949	(1,180)	896,769
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	3,285	-	-	-	4,305	7,590	7,590	(187)	7,403
At 31 March 2018	77,607	948,417	10,084	(20,749)	-	3,655	-	8,731	60,928	(183,134)	827,932	905,539	(1,367)	904,172

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 is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company's shares are listed on GEM. 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 licensing and sales of entertainment, sports and music content, operating E-sports and webcast celebrity business, operating film-based cultural parks and tourism focused projects, planning and design of concerts 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 2017 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.

The comparative information for the three months ended 31 March 2017 presented in these condensed consolidated financial statements is restated.



### 3. REVENUE

Revenue comprises the following business activities of the Group:

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Entertainment	44,145	23,846
Sports	19,680	15,000
Theme Park	11,684	12,021
<b>Total revenue</b>	<b>75,509</b>	<b>50,867</b>

### 4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
Current		
– Hong Kong	1,042	3,693
– PRC	1,676	1,129
Deferred tax	–	(682)
	<b>2,718</b>	<b>4,140</b>



## 5. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months ended 31 March 2018 (2017: Nil).

## 6. 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:

			<b>Three months ended 31 March</b>	
			<b>2018</b>	2017 (restated)
			<b>HK\$'000</b>	HK\$'000
Profit attributable to equity holders of the Company			<b>4,305</b>	5,631
			<hr/>	
			<b>2018</b>	2017
			<b>No. of shares</b>	No. of shares
			<b>'000</b>	'000
			<b>Note</b>	
Issued ordinary shares at 1 January			<b>1,940,176</b>	1,881,922
Effect of shares issued			–	4,172
			<hr/>	
Weighted average number of ordinary shares for basic earnings per share			<b>1,940,176</b>	1,886,094
Effect of dilutive potential shares from:				
– Unlisted warrants			–	–
– Share options			–	–
			<hr/>	
Weighted average number of ordinary shares for diluted earnings per share			<b>1,940,176</b>	1,886,094

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the three months ended 31 March 2018, the Group recorded revenue of approximately HK\$75,509,000 (2017: HK\$50,867,000) and a profit attributable to shareholders of the Company of approximately HK\$4,305,000 (2017: approximately HK\$5,631,000). The business includes the sports, entertainment and theme park segments.

### I. Sports Segment

The sports segment includes licensing and sale of sports content and marketing and promotional services for professional athletes which are operated by Nova Dragon International Limited ("Nova Dragon") and Socle Limited ("Socle").

During the three months ended 31 March 2018, the sports segment recorded revenue of approximately HK\$19,680,000 (2017: HK\$15,000,000). The increase in revenue from the sports segment is primarily attributable to increased revenue from the sale of sports licenses during the period.

Nova Dragon is principally engaged in assisting professional athletes, with marketing and promotional activities worldwide. Socle is principally engaged in the business of licensing and sales of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

## **II. Entertainment Segment**

The entertainment segment includes the licensing and sale of music and entertainment content which is primarily operated by Far Glory Limited (“Far Glory”) and Orient Digital Entertainment Limited (“ODE”), respectively. The entertainment segment also includes the planning and design services for concerts, management and operations of the Group’s E-sports teams and management of the Group’s webcast celebrities.

For the three months ended 31 March 2018, the entertainment segment recorded revenue of approximately HK\$44,145,000 (31 March 2017: approximately HK\$23,846,000). The increase in revenue is primarily attributable to increased sales of television and movie content and increased revenue from the E-sports 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 became a wholly-owned subsidiary of the Company.

For the three months ended 31 March 2018, the theme park segment recorded revenue of approximately HK\$11,684,000 (2017: HK\$12,021,000). 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 of the People’s Republic of China.

## Outlook

The Group will continue its efforts to further develop its businesses in China's fast growing cultural, entertainment, and sports areas. 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 2018, the Group recorded an increase in revenue to approximately HK\$75,509,000 (2017: approximately HK\$50,867,000). The increase in revenue was primarily attributable to increased revenue contribution from the entertainment segment.

The Group's gross profit margin decreased from 62.5% for the three months ended 31 March 2017 to 42.8% for the three months ended 31 March 2018. The decrease was due to the lower gross margin of the licensing and sales of television and movie content in the entertainment segment.

Administrative and other expenses for the three months ended 31 March 2018 amounted to approximately HK\$16,870,000 (2017: approximately HK\$15,143,000). The increase in administrative and other expenses was due to the increase in total salary expense from the development of the E-sports teams.

The Group recorded approximately HK\$8,154,000 (2017:HK\$231,000) in finance costs. The significant increase was primarily due to the interests on convertible bonds issued in 2017.

The Group reported a net profit attributable to equity holders of approximately HK\$4,305,000 (2017: restated profit of approximately HK\$5,631,000). The decrease in profit attributable to equity holders was due to the increase in operating expenses for the development of the E-sports teams and increase in finance costs from the interest on convertible bonds issued offset by the decrease in fair value change on contingent consideration in 2017.

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

As at 31 March 2018, 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 ordinary shares and underlying shares of the Company

Name of director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of issued share capital (Note 4)
Mr. Hsu Tung Sheng	Beneficial owner	18,375,000 (L)	0.95%
Mr. Hsu Tung Chi (Note 1)	Beneficial owner and interest of controlled corporation	380,145,782 (L)	19.59%
Ms. Zhang Jing (Note 2)	Beneficial owner and interest of controlled corporation	81,253,659 (L)	4.19%
Mr. Lai Kwok Fai, Franki (Note 3)	Beneficial owner and interest of controlled corporation	54,129,778 (L)	2.79%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 361,899,559 shares of the Company. 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 of the Company.
2. Ms. Zhang Jing ("Ms. Zhang") beneficially owns 53,853,659 shares. Crown Smart Investment Limited ("Crown Smart") beneficially owns 27,400,000 shares of the Company, which in turn wholly owned by Ms. Zhang. Under the SFO, Ms. Zhang is deemed to be interested in 27,400,000 shares of the Company.
3. Mr. Lai Kwok Fai, Franki ("Mr. Lai") beneficially owns 960,000 shares. Earn Wise Limited ("Earn Wise") beneficially owns 22,669,778 shares of the Company, which is in turn wholly owned by Mr. Lai. Under the SFO, Mr. Lai is deemed to also be interested in 22,669,778 shares of the Company.

Earn Wise holds convertible bonds in the principal amount of HK\$14,640,000 convertible to 30,500,000 shares of the Company 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 of the Company underlying the convertible bonds held by Earn Wise.

4. Based on 1,940,176,170 shares of the Company in issue as at 31 March 2018.

## (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 (Note 2)
Mr. Lai Kwok Fai, Franki (Note 1)	Interest of controlled corporation	HK\$14,640,000	30,500,000 (L)	1.57%

Notes:

1. 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.
  2. Based on 1,940,176,170 shares of the Company in issue as at 31 March 2018.
- (L) denotes long position

Save as disclosed above, as at 31 March 2018, 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. As at 31 March 2018, there was no share options outstanding.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 March 2018, 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### (i) Interest in ordinary shares of the Company

Name of substantial shareholders	Nature of interests	Number of Shares interested	Approximate percentage or attributable percentage of issued share capital
<i>(Note 4)</i>			
Ms. Chuang Meng Hua <i>(Note 1)</i>	Interest of a spouse	380,145,782 (L)	19.59%
Best Million Holdings Limited <i>(Note 2)</i>	Beneficial owner	119,976,405 (L)	6.18%
Ms. Ma Hsin-Ting <i>(Note 2)</i>	Interest of controlled corporation	119,976,405 (L)	6.18%
Ease Wing Limited <i>(Note 3)</i>	Beneficial owner	114,816,406 (L)	5.92%
Mr. Ho Chi Sing <i>(Note 3)</i>	Interest of controlled corporation	114,816,406 (L)	5.92%

*(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 of the Company 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 119,976,405 shares of the Company. Under the SFO, Ms. Ma is deemed to be interested in 119,976,405 shares of the Company 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 of the Company. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares of the Company held by Ease Wing.
4. Based on 1,940,176,170 shares of the Company in issue as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, 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 or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## **COMPETING INTERESTS**

The directors of the Company believe that none of the directors nor the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its respective close 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 which would require disclosure under rule 11.04 of the GEM Listing Rules during the three months ended 31 March 2018.

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

During the three months ended 31 March 2018, 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 Directors, the Company has confirmed the Directors' compliance with such code of conduct and the required standard of dealings regarding securities transactions during the three months ended 31 March 2018.

## **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 2018.

## **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.

## **COMPLIANCE WITH GEM LISTING RULES**

Pursuant to Rules 18.03, 18.48A and 18.49 of the GEM Listing Rules, the Company must publish its annual results announcement and annual report and dispatch its annual report to the shareholders of the Company (the “Shareholders”) not later than three months after the end of the respective financial year, i.e. on or before 31 March 2018 in respect of the year ended 31 December 2017. As additional time was required for the audit work of the financial information of the Group for the year ended 31 December 2017, the Company was unable to publish the financial results of the Group for the year ended 31 December 2017 (the “Annual Results”) and to publish and despatch the annual report of the Group for the year ended 31 December 2017 (the “Annual Report”) to the Shareholders within the prescribed time in accordance with the GEM Listing Rules.

Pursuant to Rules 18.66, 18.67 and 18.79 of the GEM Listing Rules, the Company must publish its quarterly results announcement and publish and despatch its quarterly report to Shareholders not later than 45 days after the end of the first quarter of each financial year, i.e. 15 May 2018 in respect of the first three months ended 31 March 2018. As the publication of the annual results for the financial year ended 31 December 2017 was delayed, the Company was unable to publish the first quarterly financial results for the three months ended 31 March 2018 (the “Quarterly Results”) and publish and despatch the first quarterly report of the Group for the three months ended 31 March 2018 (the “Quarterly Report”) to the Shareholders within the prescribed time in accordance with the GEM Listing Rules.

The delay in the publication and where relevant, dispatch of the Annual Results, Annual Report, Quarterly Results and Quarterly Report constitute breaches of the aforesaid GEM Listing Rules.

## EVENTS AFTER REPORTING PERIOD

There has been no material events since 31 March 2018 up to the date of this report.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the three months ended 31 March 2018, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

## 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 2018 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.

## BOARD OF DIRECTORS

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 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, 28 June 2018