



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 2018



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

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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 (resigned on 9 August 2018)  
Tung Sze Ho, Dicky (appointed on 9 August 2018)

### COMPLIANCE OFFICER

Hsu Tung Chi

### AUTHORISED REPRESENTATIVES

Hsu Tung Chi  
Chan Kin Ho, Philip (resigned on 9 August 2018)  
Tung Sze Ho, Dicky (appointed on 9 August 2018)

### 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, 16th Floor  
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 12  
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, Limited  
Bank of Communications Co., Ltd

## WEBSITE ADDRESS

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

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
Revenue	3	43,283	100,617	211,295	232,941
Cost of services rendered and cost of good sold		(24,993)	(60,774)	(123,988)	(117,274)
Gross profit		18,290	39,843	87,307	115,667
Other income		1,717	7,788	3,300	7,863
Administrative and other expenses		(25,713)	(23,223)	(64,158)	(62,165)
Finance costs		(7,946)	(8,662)	(25,309)	(9,999)
Fair value change on contingent consideration		-	(6,985)	-	(20,955)
Share of results of a joint venture		(511)	54	(524)	(681)
<b>Profit/(loss) before taxation</b>		<b>(14,163)</b>	8,815	<b>616</b>	29,730
Income tax expense	4	(2,097)	(5,687)	(9,500)	(15,508)
<b>Profit/(loss) for the period</b>		<b>(16,260)</b>	3,128	<b>(8,884)</b>	14,222

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
<b>Other comprehensive income/(loss) for the period</b>					
Foreign currency translation differences		(6,291)	(442)	(5,853)	2,458
<b>Total comprehensive income/(loss) for the period</b>					
		(22,551)	2,686	(14,737)	16,680
<b>Profit/(loss) attributable to:</b>					
– Equity holders of the Company		(16,175)	3,029	(8,802)	14,254
– Non-controlling interest		(85)	99	(82)	(32)
		(16,260)	3,128	(8,884)	14,222
<b>Total comprehensive income/(loss) attributable to:</b>					
– Equity holders of the Company		(22,507)	2,573	(14,628)	16,706
– Non-controlling interest		(44)	113	(109)	(26)
		(22,551)	2,686	(14,737)	16,680
<b>Dividends</b>	5	-	-	-	-
<b>Earnings per share</b>	6				
– Basic		HK(0.83) cents	HK0.16 cents	HK(0.45) cents	HK0.75 cents
– Diluted		HK(0.83) cents	HK0.16 cents	HK(0.45) cents	HK0.75 cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2018

	Attributable to equity holders of the Company													
	Reserves												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
<b>2017</b>														
At 1 January 2017 (restated)	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
<b>Profit for the period and total comprehensive income for the period</b>	-	-	-	-	-	2,452	-	-	-	14,254	16,706	16,706	(26)	16,680
<b>Transactions with equity holders</b>														
Share-based payment	1,130	11,869	-	-	-	-	-	-	-	11,869	12,999	-	-	12,999
Issue of convertible bonds	-	-	-	-	-	-	-	-	51,872	-	51,872	-	-	51,872
Acquisition of additional interest of a subsidiary	-	-	-	-	-	-	-	-	-	(32,437)	(32,437)	(32,437)	(25,563)	(58,000)
Lapse of warrant	-	-	-	-	(138)	-	-	-	-	138	-	-	-	-
Lapse of option	-	-	-	-	-	-	(7,541)	-	-	7,541	-	-	-	-
At 30 September 2017 (restated)	76,407	912,476	10,084	(20,749)	0	(5,518)	0	5,251	55,579	(128,865)	828,258	904,665	(1,253)	903,412
<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>Loss for the period and total comprehensive income for the period</b>	-	-	-	-	-	(5,826)	-	-	-	(8,802)	(14,628)	(14,628)	(109)	(14,737)
At 30 September 2018	77,607	948,417	10,084	(20,749)	-	(5,456)	-	8,731	60,928	(196,241)	805,714	883,321	(1,289)	882,032

## 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. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is located at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The Group is principally engaged in the business of licensing and sales of entertainment, sports and music content, operating E-sports and webcast celebrity businesses, 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 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 2017. 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 nine months ended 30 September 2017 presented in these condensed financial statements is restated.

### 3. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Entertainment	33,889	82,733	152,694	160,700
Sports	4,469	13,239	41,271	48,917
Theme Park	4,925	4,645	17,330	23,324
Total revenue	43,283	100,617	211,295	232,941



#### 4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (30 September 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 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
Current				
– Hong Kong	1,799	635	5,573	5,646
– PRC	463	5,733	4,656	11,906
Deferred tax	(165)	(681)	(729)	(2,044)
	<b>2,097</b>	5,687	<b>9,500</b>	15,508

#### 5. DIVIDENDS

The Directors do not recommend the payment of a dividend for the nine months ended 30 September 2018 (nine months ended 30 September 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:

### (a) Basic earnings per share

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) (restated) HK\$'000
Profit/(loss) attributable to equity holders of the Company	(16,175)	3,029	(8,802)	14,254

  

	Number of shares		Number of shares	
	2018	2017	2018	2017
Shares				
Weighted average number of ordinary shares in issue during the period	1,940,176,170	1,910,176,170	1,940,176,170	1,900,079,801

  

Basic earnings per share	HK(0.83) cents	HK0.16 cents	HK(0.45) cents	HK0.75 cents
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**(b) Diluted earnings per share**

	Three months ended 30 September		Nine months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited) (restated)	2018 (Unaudited)	2017 (Unaudited) (restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the Company	<b>(16,175)</b>	3,029	<b>(8,802)</b>	14,254
	<b>Number of shares</b>		<b>Number of shares</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
Shares				
Weighted average number of ordinary shares in issue during the period	<b>1,940,176,170</b>	1,910,176,170	<b>1,940,176,170</b>	1,900,079,801
Effect of dilutive potential ordinary shares:				
Warrants	-	-	-	-
Options	-	-	-	-
Weighted average number of shares for the purpose of calculating diluted earnings per share	<b>1,940,176,170</b>	1,910,176,170	<b>1,940,176,170</b>	1,900,079,801
Diluted earnings per share	<b>HK(0.83) cents</b>	HK0.16 cents	<b>HK(0.45) cents</b>	HK0.75 cents

## **7. CONVERTIBLE BONDS**

On 19 June 2017, the Company issued convertible bonds ("CB") with the aggregate principal amount of HK\$412,500,000 issued in denomination and integral amount of HK\$412,500,000 in nominal amount for the aggregate cash consideration of HK\$412,500,000. The holders of the CB will be able to convert the outstanding principal amount of each of the CB in whole or in part (in multiples of HK\$1,000,000) into ordinary shares of the Company at a conversion price of HK\$0.55 per conversion share (subject to customary anti-dilutive adjustments) at any time following the date of issue until the maturity date (18 June 2022). The CB bear interest at 5.5 per cent per annum, payable annually. Also, the Company has an option to early redeem the CB at an amount equal to 105% of the principal amount any time from the issue date but before the maturity date. None of the CB have been converted into ordinary shares of the Company up to the date when the consolidated financial statements are authorised for issue.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 8.7% which is based on market interest rates for a number of comparable convertible bonds denominated in Hong Kong dollars and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the fair value of the bonds and the fair value of the liability component and is included in convertible bonds reserves in equity. Subsequently, the liability component is carried at amortised cost.

## **8. EVENTS AFTER REPORTING PERIOD**

There have been no material subsequent events from 30 September 2018 up to the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the nine months ended 30 September 2018, the Group recorded revenue of approximately HK\$211,295,000 (nine months ended 30 September 2017: approximately HK\$232,941,000) and loss attributable to equity holders of the Company of approximately HK\$8,802,000 (nine months ended 30 September 2017: profit attributable to equity holders of the Company of approximately HK\$14,254,000). The business of the Group includes the sports, entertainment and theme park segments.

### I. Sports Segment

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

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 sale of sports content and is one of the foremost providers of sports and entertainment content in the PRC.

During the nine months ended 30 September 2018, the sports segment recorded revenue of approximately HK\$41,271,000 (nine months ended 30 September 2017: approximately HK\$48,917,000). The decrease in revenue from the sports segment is primarily attributable to the decrease in revenue from sale of sports licenses during the reporting period.

## II. Entertainment Segment

The entertainment segment includes the licensing and sale of music and entertainment content which is primarily operated by Far Glory Limited and Orient Digital Entertainment Limited 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 nine months ended 30 September 2018, the entertainment segment recorded revenue of approximately HK\$152,694,000 (nine months ended 30 September 2017: approximately HK\$160,700,000). The decrease in revenue is primarily attributable to the decrease in the sale of television and movie content due to poor market sentiment and cautious spending in the entertainment industry resulting from tightened tax regulation in the industry.

## 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 (together 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.

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 PRC.

For the nine months ended 30 September 2018, the theme park segment recorded revenue of approximately HK\$17,330,000 (nine months ended 30 September 2017: approximately HK\$23,324,000). The decrease in revenue is primarily attributable to the decrease in consultancy revenue.

## Share Repurchase

On 14 August 2018, the Company approved a share repurchase plan to repurchase the shares not exceeding 10% of the issued share capital of the Company, being 194,017,617 shares from the open market. On 20 September 2018, the Company has decided that it shall repurchase initially an amount of up to HK\$20,000,000 worth of shares in accordance with the share repurchase plan. As at the date of this report, the Company has not commenced the repurchase of shares. The Board believes that the value of the shares of the Company in the capital market does not reflect their intrinsic value and that the share repurchase plan reflects the confidence of the Board to the prospects of the Company.

## Outlook

The Group will continue its efforts in further developing 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 webcast businesses.

## FINANCIAL REVIEW

For the nine months ended 30 September 2018, the Group recorded revenue of approximately HK\$211,295,000 as compared to approximately HK\$232,941,000 during the same period in 2017. The decrease in revenue is primarily due to poor market sentiment and cautious spending in the entertainment industry.

The Group reported net loss attributable to equity holders of the Company of approximately HK\$8,802,000 for the nine months ended 30 September 2018, compared to net profit attributable to equity holders of the Company of approximately HK\$14,254,000 during the corresponding period in 2017. This decrease is due to poor performance from the entertainment segment as discussed above and the increase in finance costs.

Administrative and other expenses for the nine months ended 30 September 2018 amounted to approximately HK\$64,158,000 (nine months ended 30 September 2017: approximately HK\$62,165,000), representing an increase of approximately 3% compared with the same period of last year. The increase is primarily due to the increase in total salary expenses from the development of the E-sports teams.

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

As at 30 September 2018, the interests and short positions of the directors and the chief executive of the Company in the shares of the Company (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 and underlying Shares

<b>Name of director/ chief executive</b>	<b>Nature of interests</b>	<b>Number of ordinary shares in the Company held</b>	<b>Approximate percentage of shareholding in the Company</b>
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	383,015,782 (L)	19.74%
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	23,629,778 (L)	1.22%

(L) denotes long position



Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 364,769,559 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 27,400,000 shares of the Company, which is in turn wholly owned by Ms. Zhang. 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 22,669,778 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.

4. Based on 1,940,176,170 shares of the Company in issue as at 30 September 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 shares	Approximate percentage of interests
Mr. Lai Kwok Fai, Franki (Note 1)	Interest of controlled corporation	HK\$14,640,000	30,500,000 (L)	1.57%

(L) denotes long position

*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 interested in 30,500,000 underlying shares of the Company.
2. Based on 1,940,176,170 shares of the Company in issue as at 30 September 2018.

Save as disclosed above, as at 30 September 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. For the nine months ended 30 September 2018, no share option was granted, exercised, expired or lapsed and there was no share options outstanding under the Scheme.

## 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 2018, the following substantial shareholders and other 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

<b>Name of substantial shareholder</b>	<b>Nature of interests</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding in the Company</b>
Ms. Chuang Meng Hua (Note 1)	Interest of a spouse	383,015,782 (L)	19.74%
Best Million Holdings Limited (Note 2)	Beneficial owner	119,976,405 (L)	6.18%
Ms. Ma Hsin-Ting (Note 2)	Interest of controlled corporation	119,976,405 (L)	6.18%
Ease Wing Limited (Note 3)	Beneficial owner	114,816,406 (L)	5.92%
Mr. Ho Chi Sing (Note 3)	Interest of controlled corporation	114,816,406 (L)	5.92%

(L) denotes long position

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 119,976,405 shares. Under the SFO, Ms. Ma is deemed to be interested in the 119,976,405 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.
4. Based on 1,940,176,170 shares of the Company in issue as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, 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 2018.

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

During the nine months ended 30 September 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 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 2018.

## **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 2018.

## **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.

## 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 Company published the Annual Results announcement for the year ended 31 December 2017 on 27 June 2018, and dispatched and published its Annual Report on 29 June 2018. The Company published the Quarterly Results announcements for the three months ended 31 March 2018 on 29 June 2018, and published and dispatched its Quarterly Report on 29 June 2018.

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.

## 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 annual, interim reports and quarterly reports. As at 30 September 2018, 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 2018 have not been audited by the Company’s independent auditors, but 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. 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, 14 November 2018