



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

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

Interim Report 2015



## 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*)

Pang Hong Tao

#### **Independent Non-executive Directors**

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching Lien

### **AUDIT COMMITTEE**

Kwok Chi Sun, Vincent

Wong Tak Shing

Chang Ching Lien

### **REMUNERATION COMMITTEE**

Kwok Chi Sun, Vincent

Hsu Tung Chi

Chang Ching Lien

### **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**

Phillips Solicitors

## **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](http://www.cdculture.com)

## **STOCK CODE**

8175

## SECOND QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) is pleased to present the unaudited consolidated financial statements of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 30 June 2015 together with the comparative figures for the corresponding periods in 2014, prepared in accordance with Hong Kong Financial Reporting Standards and generally accepted accounting principles in Hong Kong, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the three months and six months ended 30 June 2015*

	Note	Three months ended 30 June		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	4	24,339	25,373	50,212	51,748
Cost of services rendered and cost of goods sold		(7,257)	(6,101)	(15,397)	(13,387)
Gross profit		17,082	19,272	34,815	38,361
Other income		–	252	–	507
Administrative and other expenses		(6,416)	(9,740)	(13,076)	(15,337)
Finance costs		–	–	(1)	(1)
<b>Profit before taxation</b>	6	<b>10,666</b>	9,784	<b>21,738</b>	23,530
Income tax expense	7	(2,448)	(1,668)	(5,152)	(6,164)
<b>Profit for the period</b>		<b>8,218</b>	8,116	<b>16,586</b>	17,366

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2015

Note	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Other comprehensive income for the period</b>				
Foreign currency translation differences	22	145	259	(291)
<b>Total comprehensive income for the period</b>	<b>8,240</b>	8,261	<b>16,845</b>	17,075
<b>Profit attributable to:</b>				
– Equity holders of the Company	8,038	6,612	14,810	13,501
– Non-controlling interests	180	1,504	1,776	3,865
	<b>8,218</b>	8,116	<b>16,586</b>	17,366
<b>Total comprehensive income attributable to:</b>				
– Equity holders of the Company	8,059	6,630	14,991	13,209
– Non-controlling interests	181	1,631	1,854	3,866
	<b>8,240</b>	8,261	<b>16,845</b>	17,075

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2015

		Three months ended 30 June		Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Note				
<b>Dividends</b>	8	-	-	-	-
<b>Earnings per share</b>	9				
- Basic		HK0.22 cents	HK0.20 cents	HK0.40 cents	HK0.40 cents
- Diluted		HK0.21 cents	HK0.20 cents	HK0.39 cents	HK0.40 cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		4,417	4,797
Intangible assets		9,763	10,275
Goodwill		230,077	218,875
Interest in joint ventures		—	—
Available-for-sale financial asset		15,225	15,225
Deposit for acquisition of a subsidiary		—	12,000
Loans to and due from joint ventures		827	345
		<b>260,309</b>	261,517
<b>Current assets</b>			
Accounts and other receivables	10	169,198	122,264
Bank balances and cash		43,123	20,979
		<b>212,321</b>	143,243
<b>Current liabilities</b>			
Accounts and other payables	11	37,489	26,919
Tax payable		21,207	20,157
		<b>58,696</b>	47,076
<b>Net current assets</b>		<b>153,625</b>	96,167
<b>NET ASSETS</b>		<b>413,934</b>	357,684
<b>Capital and reserves</b>			
Share capital		38,986	36,398
Reserves		350,555	300,012
Equity attributable to equity holders of the Company		<b>389,541</b>	336,410
Non-controlling interests		<b>24,393</b>	21,274
<b>TOTAL EQUITY</b>		<b>413,934</b>	357,684

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2015

	Attributable to equity holders of the Company												
	Reserves											Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Capital reserves	Warrant reserve	Foreign currency translation reserve	Share option reserve	Accumulated losses	Total reserves	Subtotal			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
			(Note a)	(Note b)									
2014													
At 1 January 2014	33,448	476,137	10,084	(20,749)	276	506	-	(230,817)	235,437	268,885	14,023	282,908	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	(292)	-	13,501	13,209	13,209	3,866	17,075	
Transaction with equity holders													
Issue options	-	-	-	-	-	-	3,833	-	3,833	3,833	-	3,833	
At 30 June 2014	33,448	476,137	10,084	(20,749)	276	214	3,833	(217,316)	252,479	285,927	17,889	303,816	
2015													
At 1 January 2015	36,398	508,587	10,084	(20,749)	276	(41)	7,782	(205,927)	300,012	336,410	21,274	357,684	
Profit for the period and total comprehensive income for the period	-	-	-	-	-	181	-	14,810	14,991	14,991	1,854	16,845	
Transaction with equity holders													
Exercise of options	1,210	16,905	-	-	-	-	(4,285)	-	12,620	13,830	-	13,830	
Exercise of warrants	1,378	19,424	-	-	(138)	-	-	-	19,286	20,664	-	20,664	
Issue options	-	-	-	-	-	-	3,646	-	3,646	3,646	-	3,646	
Non-controlling interest arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,265	1,265	
At 30 June 2015	38,986	544,916	10,084	(20,749)	138	140	7,143	(191,117)	350,555	389,541	24,393	413,934	

## Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation taken place in 2003.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

	<b>Six months ended 30 June 2015 (Unaudited) HK\$'000</b>	Six months ended 30 June 2014 (Unaudited) HK\$'000
Net cash (used in) from operating activities	<b>(272)</b>	7,421
Net cash (used in) from investing activities	<b>(16,820)</b>	23
Net cash inflow/(outflow) before financing activities	<b>(17,092)</b>	7,444
Net cash from financing activities	<b>39,055</b>	–
Net increase (decrease) in cash and cash equivalents	<b>21,963</b>	7,444
Cash and cash equivalents at beginning of the period	<b>20,979</b>	21,451
Effect of exchange rate fluctuations, net	<b>181</b>	(291)
Cash and cash equivalents at end of the period	<b>43,123</b>	28,604



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

## 1. CORPORATE INFORMATION

China Digital Culture (Group) Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands and continued in Bermuda. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business is located at Room 2801A, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

The Company and its subsidiaries (together, the “Group”) is principally engaged in providing copyright content to end-users through well-established platforms. In addition, the Group is also engaged in the business of providing marketing and promotional services for professional athletes.

## 2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). These consolidated 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 statements have been prepared on a basis consistent with the accounting policies adopted in the 2014 financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

### 3. ACQUISITION OF SUBSIDIARIES

北京東方力恒影視傳媒有限公司 (unofficial English name as Beijing Orient Liheng Television Media Co. Ltd., "Liheng")

On 18 February 2015, the Company completed the acquisition of Liheng through contractual arrangements allowing the Company to have the right to consolidate the financial results of Liheng as if it were a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was HK\$24,000,000. Liheng is principally engaged in the business of television show production, the licensing of television related content and the management of actors. The purpose of this acquisition was to diversify and enhance the Company's business segments.

The following summarises the consideration paid and the amounts of the assets acquired and liabilities assumed at the date of acquisition:

(unaudited)  
HK\$'000

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**Consideration:**

Cash	24,000
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(unaudited)  
HK\$'000

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**Recognised amounts of identifiable assets acquired  
and liabilities assumed:**

Property, plant and equipment	48
Accounts and other receivables	12,920
Bank balances and cash	89
Intangible assets	4,128
Accounts and other payables	(4,387)

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<b>Total identifiable net assets</b>	12,798
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<b>Goodwill arising on acquisition</b>	11,202
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24,000

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(unaudited)  
HK\$'000

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**Net cash flow on acquisition of subsidiary:**

Net cash acquired from the subsidiary	89
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### 3. ACQUISITION OF SUBSIDIARIES (CONTINUED)

北京東方力恒影視傳媒有限公司 (unofficial English name as **Beijing Orient Liheng Television Media Co. Ltd., "Liheng"**)

The Company paid HK\$24,000,000 in cash as consideration for the acquisition of Liheng. The transaction costs of HK\$735,000 have been excluded from the consideration transferred and included in administrative and other expenses in the consolidated statement of comprehensive income.

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 recognized is expected to be deductible for income tax purposes.

Since the acquisition, the acquired subsidiary has contributed revenue of HK\$5,035,000 and net profit of HK\$2,983,000 to the Group.

If the business combinations effected during the year had taken place at the beginning of the year, the revenue and profit for the Group would have been HK\$50,212,000 and HK\$16,404,000, respectively.

### 4. TURNOVER

Turnover comprises revenues from the following business activities of the Group:

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
e-Licensing business				
– Entertainment	17,596	14,267	32,549	22,540
e-Licensing business				
– Sports	6,743	11,106	17,663	29,208
Total revenue	24,339	25,373	50,212	51,748

## 5. SEGMENT INFORMATION

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continued operations by reportable segment.

#### Six months ended 30 June

	2015 (Unaudited)			2014 (Unaudited)		
	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000
<b>Segment revenue</b>						
Sale to external customers	32,549	17,663	50,212	22,540	29,208	51,748
Loan interest income from a jointly controlled entity	473	–	473	467	–	467
	<b>33,022</b>	<b>17,663</b>	<b>50,685</b>	<b>23,007</b>	<b>29,208</b>	<b>52,215</b>
<b>Segment results</b>	<b>20,522</b>	<b>8,418</b>	<b>28,940</b>	<b>15,281</b>	<b>16,840</b>	<b>32,121</b>
Unallocated income			–			40
Unallocated expenses			(7,202)			(8,631)
Profit before taxation			21,738			23,530
Taxation			(5,152)			(6,164)
Profit for the period			16,586			17,366

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reporting segments are the same as the Group's accounting policies. Segment results represents the results achieved by each segment without allocation of central administration costs including directors' emoluments, share of results of associates, investment and other income, other gains and losses, finance costs, and income tax expenses. This is the measurement method reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## 5. SEGMENT INFORMATION (CONTINUED)

### (b) Segment assets and liabilities

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sports HK\$'000	Consolidated HK\$'000
<b>Segment assets</b>	<b>99,393</b>	<b>105,190</b>	<b>204,583</b>	76,748	97,585	174,333
Goodwill	124,442	105,635	230,077	113,240	105,635	218,875
Due from jointly controlled entities	827	–	827	345	–	345
Unallocated assets			37,143			11,207
Consolidated total assets			472,630			404,760
<b>Segment liabilities</b>	<b>30,736</b>	<b>26,407</b>	<b>57,143</b>	19,421	22,971	42,392
Unallocated liabilities			1,553			4,684
Consolidated total liabilities			58,696			47,076

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

- All assets are allocated to operating segments other than interests in associates; and
- All liabilities are allocated to the sales/service activities of individual segments other than convertible bonds.

## 5. SEGMENT INFORMATION (CONTINUED)

### (c) Other segment information

Six months ended 30 June

	2015 (Unaudited)			2014 (Unaudited)		
	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sport HK\$'000	Consolidated HK\$'000	e-Licensing business – Entertainment HK\$'000	e-Learning business – Sport HK\$'000	Consolidated HK\$'000
<b>Other segment information</b>						
Amortisation of intangible assets	242	4,398	4,640	400	2,992	3,392
Depreciation of property, plant and equipment	376	52	428	503	122	625

### (d) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
– Hong Kong	21,326	18,974	198,406	198,406
– PRC	28,886	32,774	45,851	47,541
	50,212	51,748	244,257	245,947

## 6. PROFIT BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Amortisation of intangible assets	4,608	1,696	4,640	3,392
Depreciation	217	284	428	625

## 7. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current				
– Hong Kong	1,451	667	2,655	2,542
– PRC	997	1,001	2,497	3,622
	2,448	1,668	5,152	6,164



## 8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the three months and six months ended 30 June 2015 (2014: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

### (a) Basic earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	8,038	6,612	14,810	13,501

	Number of shares		Number of shares	
	2015	2014	2015	2014
Shares				
Weighted average number of ordinary shares in issue during the period	3,698,630,822	3,344,853,349	3,669,404,454	3,344,853,349
Basic earnings per share	HK0.22 cents	HK0.20 cents	HK0.40 cents	HK0.40 cents

## 9. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Profit attributable to equity holders of the Company	8,038	6,612	14,810	13,501
	Number of shares		Number of shares	
	2015	2014	2015	2014
Shares				
Weighted average number of ordinary shares in issue during the period	3,698,630,822	3,344,853,349	3,669,404,454	3,344,853,349
Effect of dilutive potential ordinary shares:				
Options	82,474,372	–	74,876,524	–
Warrants	38,693,145	–	32,747,192	3,861,310
Weighted average number of shares for the purpose of calculating diluted earnings per share	3,819,798,339	3,344,853,349	3,777,028,170	3,348,714,659
Diluted earnings per share	HK0.21 cents	HK0.20 cents	HK0.39 cents	HK0.40 cents

## 10. ACCOUNTS AND OTHER RECEIVABLES

		<b>30 June 2015 (Unaudited) HK\$'000</b>	<b>31 December 2014 (Audited) HK\$'000</b>
	<i>Note</i>		
Accounts receivable		<b>69,571</b>	53,020
Deposits, prepayments and other receivables		<b>43,467</b>	12,640
Prepayment to a licensor and a consultant		<b>44,948</b>	45,279
Due from a director of subsidiaries of the Company	(i)	<b>5,441</b>	5,735
Due from a related Company	(i)	<b>25</b>	–
Due from directors	(i)	<b>5,746</b>	5,590
Other receivables		<b>99,627</b>	69,244
		<b>169,198</b>	122,264

An ageing analysis of the accounts receivable is as follows:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	<b>31 December 2014 (Audited) HK\$'000</b>
Current	<b>18,588</b>	16,428
Less than 1 month past due	<b>7,506</b>	15,337
1 month to 3 months past due	<b>13,266</b>	2,841
Over 3 months past due	<b>30,211</b>	18,414
	<b>50,983</b>	36,592
	<b>69,571</b>	53,020

**(i) Due from a director of subsidiaries of the Company/a related company/directors**

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

## 11. ACCOUNTS AND OTHER PAYABLES

		<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
	Note		
Accounts payable	(i)	<b>11,123</b>	8,839
Deferred income, accrued charges and other payables		<b>20,515</b>	12,229
Due to directors	(ii)	<b>4,686</b>	4,686
Due to a director of subsidiaries of the Company	(iii)	<b>820</b>	820
Due to a jointly venture	(iii)	<b>345</b>	345
		<b>37,489</b>	26,919

### (i) Accounts payable

At the end of the reporting period, the ageing analysis of accounts payables is in the range of zero to 30 days.

### (ii) Due to directors

The amounts due to the Company's directors, are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due to directors approximate their fair value.

### (iii) Due to a director of subsidiaries of the Company/a joint venture

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

## 12. OPERATING LEASE COMMITMENTS

The Group leases equipment and premises under operating leases. The leases are negotiated for a term ranging from 1 year to 5 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases in respect of equipment and premises falling due as follows:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Within one year	<b>1,471</b>	1,753
In the second to fifth years inclusive	<b>6,609</b>	6,466
Over five years	<b>1,073</b>	1,614
	<b>9,153</b>	9,833

## 13. EVENTS AFTER REPORTING PERIOD

On 6 July 2015, the Company entered into an acquisition agreement to acquire 100% of the equity shares in Dream World Holdings Limited which was supplemented and amended by a supplemental agreement dated 22 July 2015. The aggregate consideration shall be up to HK\$587,250,000, to be paid by the Company to the vendors by (i) cash payment of HK\$150,000,000; (ii) the issue of consideration shares for a total amount of HK\$77,250,000; and (iii) subject to the profit guarantee requirements as set out in the announcement, the issue of convertible bonds in the principal amount of up to HK\$360,000,000 by the Company.

Dream World Holdings Limited holds cooperation agreements with Wang Shang Shi Jie (Beijing) Digital Movie Culture Development Limited ("Project Company"). The Project Company is currently developing a film-based cultural theme park with a total area of approximately 239 畝 ("Mou") in Huaqiao, Kunshan, Jiangsu Province, PRC (the "Project"). The cooperation agreements grant 昆山夢世界商業管理有限公司 ("MSJ"), a wholly-owned subsidiary of Dream World Holdings Limited, the exclusive operating rights of the Project for 40 years beginning in 2012.

The construction of the Project is initially scheduled and expected to complete in 2017 and the Project is initially scheduled and expected to commence operation in 2018.

On 23 July 2015, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best-effort basis, to not less than six placees, a maximum amount of up to HK\$150,000,000 for the purposes of funding the aforesaid acquisition of Dream World Holdings Limited and/or for general working capital of the Company.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$50,212,000 (30 June 2014: HK\$51,748,000) and a profit attributable to equity holders of the Company of approximately HK\$14,810,000 (30 June 2014: HK\$13,501,000). The e-Licensing business includes both the sports and entertainment segment.

#### I. e-Licensing Business: Sports Segment

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

During the six months ended 30 June 2015, the sports segment recorded a turnover of approximately HK\$17,663,000 (30 June 2014: HK\$29,208,000). The decrease in turnover from the sports segment is primarily attributable to seasonality of the current business resulting in more revenue being recognized in the second half of 2015.

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 from interested parties.

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. e-Licensing Business: 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.

For the six months ended 30 June 2015, the entertainment segment recorded a turnover of approximately HK\$32,549,000 (30 June 2014: approximately HK\$22,540,000). The increase in turnover is primarily attributable to increased focus in developing the entertainment segment through Orient Digital Entertainment Company Limited (“ODE”).

The Group currently holds the music rights for Golden Typhoon Group – a leading Chinese music label. Golden Typhoon Group represents a number of top-tier Taiwanese, Cantonese, and Mainland Chinese talents and also holds an extensive music library of over 600,000 songs. Further, Golden Typhoon Group is the exclusive agent for EMI with regards to the distribution of digital music in the Greater China Region, as well as the distribution agent for numerous other records produced worldwide.

The entertainment segment also includes the promotion, sales and distribution of movies and television licensed content worldwide. In addition, the Group is also engaged in the investment of movies, television content and musicals.



## 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 its businesses.

## FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$50,212,000 from continuing operations as compared to HK\$51,748,000 in the same period in 2014. The decrease in turnover is primarily attributable to decreased turnover from the sports segment offset partially by increased revenue contribution from the entertainment segment.

The Group reported a net profit attributable to equity holders of approximately HK\$14,810,000 for the six months ended 30 June 2015, compared to a net profit of approximately HK\$13,501,000 in the corresponding period of last year. This increase is due to more contribution from ODE, wholly-owned subsidiary, resulting in less profit attributable to non-controlling interests as compared to the previous year.

Administrative and other expenses for the six months ended 30 June 2015 amounted to approximately HK\$13,076,000 (30 June 2014: approximately HK\$15,337,000), representing a decrease of approximately 14.7% compared with the same period last year. The decrease is primarily due to cost cutting in 2015.





## **Liquidity and financial resources**

As at 30 June 2015, the Group had current assets of approximately HK\$212,321,000 (31 December 2014: HK\$143,243,000) and current liabilities of approximately HK\$58,696,000 (31 December 2014: HK\$47,076,000). The current assets were comprised mainly of cash and bank balances of HK\$43,123,000 (31 December 2014: HK\$20,979,000) together with accounts and other receivables of HK\$169,198,000 (31 December 2014: HK\$122,264,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$37,489,000 (31 December 2014: HK\$26,919,000). The Group had no bank borrowings at 30 June 2015 (31 December 2014: Nil).

Most of the trading transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. The Group adopts a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2015, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

## **Foreign exchange risk**

Since almost all transactions of the Group are denominated either in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risk, the directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

## **Contingent liabilities**

As at 30 June 2015, the group had no material contingent liabilities.



## Employee information

As at 30 June 2015, the Group had 38 (31 December 2014: 43) full-time employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

The Group also adopts employee share option scheme to provide eligible employees a performance incentive for continuous and improved service with the Group and to enhance their contributions to increase profits by encouraging capital accumulation and share ownership.

## MATERIAL ACQUISITIONS OR DISPOSAL

On 18 February 2015, the Company completed the acquisition of Liheng through contractual arrangements allowing the Company to have the right to consolidate the financial results of Liheng as if it were a wholly-owned subsidiary of the Company. The aggregate cash consideration of the acquisition was HK\$24,000,000. Liheng is principally engaged in the business of television show production, the licensing of television related content and the management of actors. The purpose of the acquisition was to diversify and enhance the Company's business segments. Refer to the announcement dated 18 February 2015.

On 6 July, the Company entered into an acquisition agreement to acquire 100% of the equity shares in Dream World Holdings Limited ("Target Company"). The Target Company, is a company incorporated in the Cayman Islands with limited liability, and is principally engaged in the business of operating large film-based cultural theme parks. The Target Company is experienced in the planning, operating and managing of cultural and tourism focused projects and is currently in the process of managing the development of a film-based cultural theme park in Huaqiao, Kunshan, Jiangsu Province, PRC (the "Project"). The Target Company's wholly owned subsidiary currently holds the exclusive operating rights of the Project for 40 years beginning in 2012. As the Company's operations include investing in the production of movies and developing the cultural industry, the Board believes that there are significant synergies to be gained by acquiring the Target Company. The proposed acquisition will strengthen and diversify the Company's overall business and further increase the Company's presence in the cultural industry. Refer to the announcement dated 6 July 2015.

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

As at 30 June 2015, 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	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Hsu Tung Sheng	Beneficial	73,500,000 (L)	1.9%
Mr. Hsu Tung Chi (Note 1)	Beneficial Interest of controlled corporation	265,800,000 (L) 72,984,893 (L)	6.8% 1.9%
Daily Technology Company Limited (Note 1)	Beneficial	72,984,893 (L)	1.9%
Mr. Pang Hong Tao	Beneficial	1,000,000 (L)	0.03%

(L) denotes long position

Note:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 265,800,000 shares. Daily Technology Company Limited ("Daily Technology"), which is beneficially owned as to 100% by Mr. Hsu. Daily Technology, beneficially owns 72,984,893 shares. Under the SFO, Mr. Hsu is deemed to also be interested in 72,984,893 shares.



## (ii) Interest in share options

<b>Name of director</b>	<b>Nature of interests</b>	<b>Number of share options granted</b>	<b>Approximate percentage of interests</b>
Mr. Hsu Tung Sheng	Beneficial	33,005,104 (L)	0.85%
Mr. Hsu Tung Chi	Beneficial	22,005,104 (L)	0.56%

*(L) denotes long position*

Save as disclosed above, as at 30 June 2015, 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 1 January 2015	Exercised during the period	Outstanding at 30 June 2015	Exercise price HK\$	Grant date	Exercisable period
<b>Directors</b>						
Mr. Hsu Tung Sheng	33,005,104	–	33,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
Mr. Hsu Tung Chi	33,005,104	11,000,000	22,005,104	0.1143	10/06/2014	10/06/2014- 09/06/2017
<b>Employees</b>	264,040,832	110,000,000	154,040,832	0.1143	10/06/2010	10/06/2014- 09/06/2017
	330,051,040	121,000,000	209,051,040			

## SUBSTANTIAL SHAREHOLDERS AND PERSONS HOLDING INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2015, 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 and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

### (i) Interest in Shares


Name of Substantial Shareholder	Nature of interests	Number or attributable number of Shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Ma Bole (Note 1)	Interest of controlled corporation	297,698,238 (L)	7.6%
Ms. Xu Ziqi (Note 1)	Deemed	297,698,238 (L)	7.6%
Golden Mabole Culture Media Company Limited (Note 1)	Beneficial	297,698,238 (L)	7.6%
Chance Talent Management Limited (Note 2)	Beneficial and person having a security interest in shares	201,284,893 (L) 134,200,000 (L) 134,200,000 (S)	5.2% 3.4% 3.4%

Notes:

1. Golden Mabole Culture Media Company Limited ("Golden Mabole") is wholly and beneficially owned by Mr. Ma Bole ("Mr. Ma"). Golden Mabole beneficially owns 297,698,238 shares of the Company. Under the SFO, Mr. Ma is deemed to be interested in 297,698,238 shares held by Golden Mabole.

Ms. Xu Ziqi is deemed to be interested in 297,698,238 shares under the SFO by virtue of being the spouse of Mr. Ma.

2. Chance Talent Management Limited ("Chance Talent") beneficially owns 134,200,000 shares of the Company. Chance Talent also holds 201,284,893 shares of the company charged by Hsu Tung Sheng, Hsu Tung Chi and Daily Technology Company Limited and a put option arrangement with Hsu Tung Chi and Hsu Tung Sheng pursuant to a subscription agreement dated 7 August 2014 (as supplemented and amended by a supplemented agreement dated 8 September 2014) entered into between the Company and Chance Talent.



Save as disclosed above, as at 30 June 2015, the directors of the Company were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **COMPETING INTERESTS**

The Directors believe that none of the directors, the management shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or any of its respective associates had an interest in a business which competes or may compete either directly or indirectly with the business of the Group as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 June 2015.

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

During the period ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Directors have confirmed their compliance with such code of conduct and the required standard of dealings regarding securities transactions during the six months ended 30 June 2015.



## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (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 period ended 30 June 2015, except for the deviations from code provisions A4.2 as detailed in the Corporate Governance Report that the Chairman is not subject to retirement by rotation.

Code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Pursuant to the Bye-laws of the Company, any Director so appointed shall hold office only until the next following annual general meeting and so on from year to year until their places are filled. However, the Company believes that it is in the best interest of the Company’s shareholders to transact this ordinary course of business in the annual general meeting and the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company’s Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.



## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and provide advice and comments on the interim reports and quarterly reports. As at 30 June 2015, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Chang Ching Lien, all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.

The Group’s unaudited interim results for the six months ended 30 June 2015 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

As at the date of this report, the executive Directors are Mr. Hsu Tung Sheng, Mr. Hsu Tung Chi and Mr. Pang Hong Tao. The independent non-executive directors are Mr. Wong Tak Shing, Mr. Kwok Chi Sun, Vincent and Mr. Chang Ching Lien.

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

Hong Kong, 14 August 2015