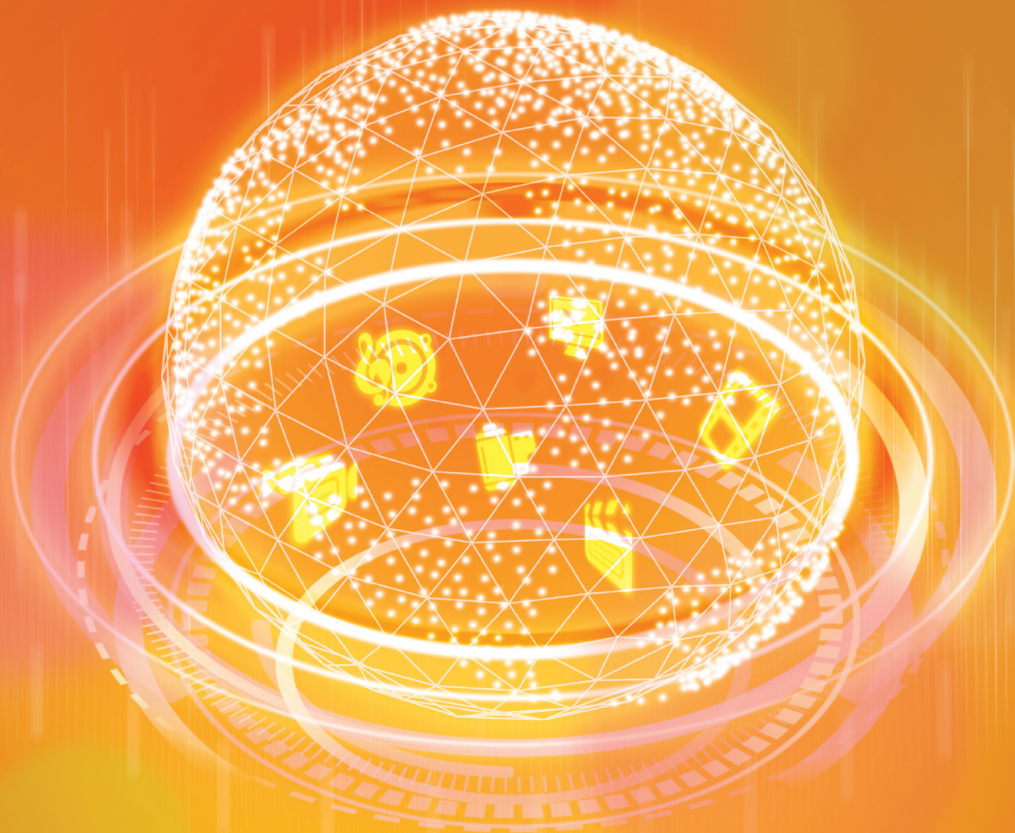





China Digital Culture (Group) Limited
中國數碼文化(集團)有限公司

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

INTERIM REPORT 2020





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 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 Chi (*Chairman*)

Zhang Jing

Lai Kwok Fai, Franki

(*resigned on 13 March 2020*)

Independent Non-executive Directors

Kwok Chi Sun, Vincent

Wong Tak Shing

Gou Yanlin

CHIEF EXECUTIVE OFFICER

Jiang Chao

(*appointed on 23 December 2019*)

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

Tung Sze Ho, Dicky

COMPLIANCE OFFICER

Hsu Tung Chi

AUTHORISED REPRESENTATIVES

Hsu Tung Chi

Tung Sze Ho, Dicky

AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road

Tsim Sha Tsui

Kowloon

Hong Kong



REGISTERED OFFICE

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 17B, 17/F

United Centre

95 Queensway

Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda)
Limited

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, 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

STOCK CODE

08175

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together the "Group") for the three months and six months ended 30 June 2020 together with the comparative figures for the corresponding periods in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	18,836	65,794	30,332	134,345
Cost of services rendered		(7,922)	(36,985)	(14,135)	(79,643)
Gross profit		10,914	28,809	16,197	54,702
(Loss)/gain on disposal of subsidiaries	3	(4,826)	-	(4,826)	60,532
Gain on disposal of joint venture		809	-	809	-
Other income/(expense)		230	458	349	1,639
Administrative and other expenses		(15,272)	(22,211)	(29,785)	(40,961)
Finance costs		(8,555)	(8,437)	(17,081)	(16,692)
Share of results of a joint venture		5	41	(562)	(756)
(Loss)/profit before taxation	6	(16,695)	(1,340)	(34,899)	58,464
Income tax expense	7	50	(5,368)	86	(8,469)
(Loss)/profit for the period		(16,645)	(6,708)	(34,813)	49,995



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three months and six months ended 30 June 2020

	Note	Three months ended 30 June		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Other comprehensive (loss)/income for the period					
Foreign currency translation differences		1,932	(4,435)	1,501	(1,242)
Total comprehensive (loss)/income for the period		(14,713)	(11,143)	(33,312)	48,753
(Loss)/profit attributable to:					
– Equity holders of the Company		(16,226)	(6,674)	(34,205)	50,158
– Non-controlling interests		(419)	(34)	(608)	(163)
		(16,645)	(6,708)	(34,813)	49,995
Total comprehensive (loss)/income attributable to:					
– Equity holders of the Company		(14,304)	(11,093)	(32,741)	48,963
– Non-controlling interests		(409)	(50)	(571)	(210)
		(14,713)	(11,143)	(33,312)	48,753
Dividends	8	-	-	-	-
Earnings/(loss) per share	9				
– Basic		(0.80) cents	(0.34) cents	(1.69) cents	2.59 cents
– Diluted		(0.80) cents	(0.34) cents	(1.69) cents	2.33 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		1,471	1,977
Right-of-use assets		3,187	5,180
Intangible assets		255,065	266,507
Goodwill		144,682	145,152
Interest in an associate		890	591
Financial assets at fair value through other comprehensive income		61,306	62,148
Deposit for film production		97,412	99,555
Prepayments		54,135	54,135
		618,148	635,245
Current assets			
Inventories		17,695	17,022
Financial assets at fair value through profit or loss		1,091	1,091
Investment in TV-show		52,698	52,698
Accounts and other receivables	10	109,163	86,442
Bank balances and cash		6,220	32,568
Tax receivable		-	573
Assets of disposal group classified as held for sale		-	13,769
		186,867	204,163
Current liabilities			
Accounts and other payables	11	39,092	52,933
Lease liabilities		2,236	3,150
Tax payable		20,036	18,346
Liabilities of disposal group classified as held for sale		-	4,310
		61,364	78,739
Net current assets		125,503	125,424
Total assets less current liabilities		743,651	760,669



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Note		
Non current liabilities			
Convertible bonds	12	418,915	401,834
Lease liabilities		1,071	2,150
Deferred tax liabilities		30,802	31,305
		450,788	435,289
NET ASSETS		292,863	325,380
Capital and reserves			
Share capital		80,807	80,807
Reserves		218,367	250,313
Equity attributable to equity holders of the Company		299,174	331,120
Non-controlling interests		(6,311)	(5,740)
TOTAL EQUITY		292,863	325,380

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2020

	Attributable to equity holders of the Company																								
	Reserves												Non-controlling interests	Total											
	Share capital	Share premium	Special reserve	Capital reserves	Foreign currency translation reserve	Share option reserve	Statutory reserve	Convertible bonds reserve	FVTOCI reserve	Accumulated losses	Total reserves	Subtotal			Total										
																HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Note a)																(Note b)	(Note c)								
2019																									
At 1 January 2019	77,607	948,417	10,034	(20,749)	(5,291)	3,932	8,731	60,928	(19,067)	(292,269)	694,666	772,273	1,248	773,521											
Profit for the period and total comprehensive income for the period	-	-	-	-	(1,195)	-	-	-	-	50,158	48,963	48,963	(210)	48,753											
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(4,890)	(4,890)											
Equity-settled share-based payment	-	-	-	-	-	2,708	-	-	-	-	2,708	2,708	-	2,708											
At 30 June 2019	77,607	948,417	10,034	(20,749)	(6,486)	6,640	8,731	60,928	(19,067)	(242,111)	746,337	823,944	(3,852)	820,092											
2020																									
At 1 January 2020	80,807	955,457	(23,600)	(20,749)	(9,521)	7,230	8,731	51,872	(17,425)	(701,682)	250,313	331,120	(5,740)	325,380											
Loss for the period and total comprehensive income for the period	-	-	-	-	1,464	-	-	-	-	(34,205)	(32,741)	(32,741)	(571)	(33,312)											
Equity-settled share-based payment	-	-	-	-	-	795	-	-	-	-	795	795	-	795											
At 30 June 2020	80,807	955,457	(23,600)	(20,749)	(8,057)	8,025	8,731	51,872	(17,425)	(735,887)	218,367	299,174	(6,311)	292,863											

Notes:

- The special reserve represents the difference between the nominal amount of shares and share premium of subsidiaries acquired and the nominal amount of the Company's shares issued as consideration pursuant to the Group reorganisation which took place in 2003.
- The capital reserve represents the share of net liabilities of additional interest in subsidiaries acquired without change in control.
- Statutory reserve comprises statutory surplus reserves fund of the subsidiaries in the People's Republic of China ("PRC") and form part of shareholders' fund. According to the Articles of Association of certain subsidiaries, the subsidiaries are required to transfer 10% of the profit after tax to the statutory surplus reserves fund until the fund balance reaches 50% of the registered capital. The transfer to the funds must be made before distributing dividends to shareholders.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2020

	Six months ended 30 June 2020 (Unaudited) HK\$'000	Six months ended 30 June 2019 (Unaudited) HK\$'000
Net cash used in operating activities	(34,058)	(67,670)
Net cash from investing activities	5,431	43,068
Net cash outflow before financing activities	(28,627)	(24,602)
Net cash from/(used) in financing activities	234	(3,594)
Net decrease in cash and cash equivalents	(28,393)	(28,196)
Cash and cash equivalents at beginning of the period	32,568	78,776
Effect of exchange rate fluctuations, net	2,045	2,798
Cash and cash equivalents at end of the period	6,220	53,378



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law (as revised) of the Cayman Islands and continued in Bermuda as an exempted company with limited liability in accordance with the Companies Act 1981 (as amended) of Bermuda. The Company's shares are listed on GEM. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is located at Unit 17B, 17/F, United Centre, 95 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 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 interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). These condensed financial statements also comply with the applicable disclosure requirements under the GEM Listing Rules.

These financial information have been prepared on a basis consistent with the accounting policies adopted in the audited consolidated financial statements for the year ended 31 December 2019. 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. DISPOSAL OF SUBSIDIARIES

The Group disposed of its entire interest in a subsidiary, namely Digital Culture and Creative Company Limited to an independent third party at an aggregate cash consideration of US\$1 on 12 June 2020. The calculation of the consideration is based on the following data:

	<i>HK\$'000</i>
<hr/>	
Net assets disposed of:	
Property, plant and equipment	4,396
Goodwill	470
Right-of-use assets	3,378
Accounts and other receivables	607
Bank balances and cash	109
Accounts and other payables	(724)
Lease liabilities	(3,402)
<hr/>	
	4,834
<hr/>	

Consideration:

Cash consideration received	8
<hr/>	

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	<i>HK\$'000</i>
<hr/>	
Cash consideration	8
Cash and cash equivalents disposed of	(109)
<hr/>	
Net outflow of cash and cash equivalents	(101)
<hr/>	
Loss on disposal of subsidiaries:	
Consideration received	8
Net assets disposed of	(4,834)
<hr/>	
	(4,826)
<hr/>	

4. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Entertainment	17,076	46,253	24,718
Sports	–	15,415	1,614	35,286
Theme Park	1,760	4,126	4,000	8,444
Total revenue	18,836	65,794	30,332	134,345

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

	2020 (Unaudited)				2019 (Unaudited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Consolidated HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Consolidated HK\$'000
Segment revenue								
Sale to external customers	24,718	1,614	4,000	30,332	90,615	35,286	8,444	134,345
Segment results	(11,778)	(2,305)	296	(13,787)	69,258	12,400	4,005	85,663
Unallocated income				811				2
Unallocated expenses				(21,923)				(27,201)
(Loss)/profit before taxation				(34,899)				58,464
Taxation				86				(8,469)
(Loss)/profit for the period				(34,813)				49,995

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



5. SEGMENT INFORMATION (CONTINUED)

(a) Segment revenue and results (continued)

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

(b) Segment assets and liabilities

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000	Entertainment HK\$'000	Sports HK\$'000	Theme park HK\$'000	Total HK\$'000
Assets before the following items:								
Goodwill	185,914	27,038	130,674	343,626	174,189	18,794	158,934	351,917
Intangible assets	91,276	53,406	-	144,682	91,746	53,406	-	145,152
Interest in an associate	136,748	-	118,317	255,065	145,797	-	120,710	266,507
	890	-	-	890	591	-	-	591
Segment assets	414,828	80,444	248,991	744,263	412,323	72,200	279,644	764,167
Unallocated assets				60,752				75,241
Consolidated total assets				805,015				839,408
Segment liabilities	43,083	17,635	22,931	83,649	53,863	17,033	26,713	97,609
Unallocated liabilities				428,503				416,419
Consolidated total liabilities				512,152				514,028

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

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

5. SEGMENT INFORMATION (CONTINUED)

(c) Other segment information Six months ended 30 June

	2020 (Unaudited)				2019 (Unaudited)			
	Entertainment	Sports	Theme park	Total	Entertainment	Sports	Theme park	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	(5,699)	-	-	(5,699)	(5,286)	-	-	(5,286)
Depreciation of property, plant and equipment	(334)	-	-	(334)	(377)	-	(3)	(380)
(Loss)/gain on disposal of subsidiaries	(4,826)	-	-	(4,826)	50,792	-	-	50,792

(d) Geographic information

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

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Audited) HK\$'000
Hong Kong	13,250	105,200	71,001	76,794
PRC	6,500	20,233	484,504	492,333
Taiwan	10,431	6,926	352	3,284
USA	151	1,986	95	95
	30,332	134,345	555,952	572,506

Non-current assets presented above exclude financial instruments, interest in an associate and interest in joint ventures.



6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting):

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of right to use	997	1,338	1,993	2,647
Amortisation of intangible assets	2,850	2,643	5,699	5,286
Depreciation	173	190	334	380
(Loss)/gain on disposal of subsidiaries	(4,826)	–	(4,826)	50,792

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the three months and six months ended 30 June 2020 and 2019. The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the three months and six months ended 30 June 2020 and 2019 based on existing legislation, interpretations and practices in respect thereof.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
– Hong Kong	279	4,349	418	7,206
– PRC	(77)	1,270	–	1,765
Deferred tax	(252)	(251)	(504)	(502)
	(50)	5,368	(86)	8,469

8. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 2019. The Directors of the Company do not recommend payment of interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
(Loss)/profit attributable to equity holders of the Company	(16,226)	(6,674)	(34,205)	50,158
Shares				
Weighted average number of ordinary shares in issue during the period	2,020,176	1,940,176	2,020,176	1,940,176
Basic earnings/(loss) per share	HK(0.80) cents	HK(0.34) cents	HK(1.69) cents	HK2.59 cents



9. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(Loss)/profit attributable to equity holders of the Company	(16,226)	(6,674)	(34,205)	50,158
Effect of dilutive potential shares:				
– Interest on Convertible bonds, net of tax	-	-	-	13,300
Earnings for the purpose of diluted earnings per share	(16,226)	(6,674)	(34,205)	63,458
	2020	2019	2020	2019
	No. of Shares	No. of Shares	No. of Shares	No. of Shares
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the period	2,020,176	1,940,176	2,020,176	1,940,176
Effect of dilutive potential ordinary shares:				
– Convertible bonds	-	-	-	780,500
Weighted average number of shares for the purpose of calculating diluted earnings per share	2,020,176	1,940,176	2,020,176	2,720,676
Diluted earnings per share	HK(0.80) cents	HK(0.34) cents	HK\$(1.69) cents	HK2.33 cents

10. ACCOUNTS AND OTHER RECEIVABLES

Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Accounts receivable		
	75,917	96,291
	(23,769)	(23,769)
	52,148	72,522
Prepayments and other receivables – current		
	22,270	10,212
	33,208	1,778
	1,537	1,571
	–	359
	57,015	13,920
	109,163	86,442
Prepayments – non-current		
	4,135	4,135
	50,000	50,000
	54,135	54,135
	163,298	140,577

At the end of the reporting period, the ageing analysis of the accounts receivable by invoice date is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0-30 days	9,350	6,595
31-90 days	3,900	10,984
91-365 days	17,498	38,728
Over 365 days	21,400	16,215
	52,148	72,522

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



11. ACCOUNTS AND OTHER PAYABLES

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>Note</i>		
Accounts payable			
Accounts payable	<i>(i)</i>	121	6,873
Other payables			
Accrued charges and other payables		20,326	40,012
Deposit received		14,694	4,922
Contract liabilities		–	875
Due to the Directors	<i>(ii)</i>	3,727	68
Due to directors of subsidiaries of the Company	<i>(iii)</i>	224	183
		38,971	46,060
		39,092	52,933

(i) Accounts payable

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

(ii) Due to the Directors

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

(iii) Due to directors of subsidiaries of the Company

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

12. CONVERTIBLE BONDS

On 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 convertible bonds 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 since 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.



13. EVENTS AFTER REPORTING PERIOD

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the “Claim Documents”) issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the “Plaintiff”) against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 relating to convertible bonds in aggregate of HK\$412,500,000 issued by the Company during the year ended 31 December 2017 (“Subscription Agreement”) in the sum of (i) HK\$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK\$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the “Instrument”) dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK\$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest. For details of the case, please refer to the Company’s announcements dated 5 June and 22 April 2020.

The Company filed an acknowledgment of service of writ of summons indicating that the Company intends to contest the proceedings and had filed the defence on 2 July 2020.

On 31 July 2020, the Company entered into three sets of subscription agreements with three different legal entities (collectively as, “Subscribers”) respectively, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 300,000,000 new Shares going to be issued by the Company to the Subscribers at the subscription price of HK\$0.046 per subscription share.

Saved as those disclosed above, there has been no other material events since 30 June 2020 to the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$30,332,000 (30 June 2019: approximately HK\$134,345,000) and a loss attributable to equity holders of the Company of approximately HK\$34,205,000 (30 June 2019: profit attributable to shareholders of the Company of approximately HK\$50,158,000). The businesses of the Group include the sports, entertainment and theme park segments.

I. Sports Segment

The sports segment, 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 six months ended 30 June 2020, the sports segment recorded revenues of approximately HK\$1,614,000 (30 June 2019: approximately HK\$35,286,000). The decrease in revenue from the sports segment is primarily attributable to the decrease in revenue from sale of sports licenses stemming from the economic contraction caused by novel coronavirus (the “COVID-19”) pandemic.

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.



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 six months ended 30 June 2020, the entertainment segment recorded revenues of approximately HK\$24,718,000 (30 June 2019: approximately HK\$90,615,000). The decrease in revenue is primarily attributable to the decreased sales of television and movie content stemming from the economic contraction caused by the COVID-19 pandemic.

III. Theme Park Segment

The theme park segment includes the film-based cultural theme park business and tourism focused projects which are operated by Dream World Holdings Limited ("Dream World") and its subsidiaries (the "Dream World Group").

For the six months ended 30 June 2020, the theme park segment recorded revenues of approximately HK\$4,000,000 (30 June 2019: approximately HK\$8,444,000). 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 PRC.



OUTLOOK

The Group will continue to build on the aggressive expansion of the E-sports industry in the PRC and is committed to creating an ecosystem that surrounds the E-sports industry including businesses in education, e-commerce, event operations and real estate development.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$30,332,000 as compared to approximately HK\$134,345,000 in the same period in 2019. The decrease in revenue is primarily attributable to the economic contraction caused by the COVID-19 pandemic.

The Group reported a net loss attributable to equity holders of approximately HK\$34,205,000 for the six months ended 30 June 2020, compared to a net profit attributable to equity holders of approximately HK\$50,158,000 in the corresponding period of 2019. The profit in 2019 was due to the one-time gain on disposal of subsidiaries.

Administrative and other expenses for the six months ended 30 June 2020 amounted to approximately HK\$29,785,000 (30 June 2019: approximately HK\$40,961,000), representing an decrease of approximately 27.3% compared with the same period of last year. The decrease is primarily due to reduced business activities caused by the COVID-19 pandemic.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had current assets of approximately HK\$186,867,000 (31 December 2019: approximately HK\$204,163,000) and current liabilities of approximately HK\$61,364,000 (31 December 2019: approximately HK\$78,739,000). The current assets were comprised mainly of cash and bank balances of approximately HK\$6,220,000 (31 December 2019: approximately HK\$32,568,000), inventories of approximately HK\$17,695,000 (31 December 2019: approximately HK\$17,022,000) and together with accounts and other receivables of approximately HK\$109,163,000 (31 December 2019: approximately HK\$86,442,000). The Group's current liabilities were comprised mainly of accounts and other payables of approximately HK\$39,092,000 (31 December 2019: approximately HK\$52,933,000). As at 30 June 2020, the Group had a current ratio of approximately 3.05 as compared to that of approximately 2.59 as at 31 December 2019.

TREASURY POLICY

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 minimise exposure to foreign exchange risks. As at 30 June 2020, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

GEARING RATIO

The gearing ratio (which is computed by consolidated borrowings divided by consolidated total equity) was 0% (31 December 2019: 0%). As at 30 June 2020, total borrowings of the Group amounted to approximately HK\$Nil (31 December 2019: approximately HK\$Nil).



CHARGES ON GROUP ASSETS

As at 30 June 2020, there is no charge on the assets of the Group to secure the bank borrowings and the available banking facilities.

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated either in Renminbi or Hong Kong dollars and most of the bank deposits are being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise 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 2020, the Group had no material contingent liabilities.

EMPLOYEE INFORMATION

As at 30 June 2020, the Group had 67 (2019: 126) employees. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis with the general framework of the Group's salary and bonus system which is reviewed annually. Selected benefit programs including medical coverage and provident funds are also provided.

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



SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS

In December 2019, a subsidiary of the Group entered into an agreement with an independent third party to dispose 100% equity interest in a subsidiary, namely Digital Culture and Creative Company Limited, for a cash consideration of US\$1. Such disposal has been completed on 12 June 2020.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies during the six month ended 30 June 2020.

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interest in ordinary shares and underlying shares of the Company

Name of Director or Chief Executive	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding <i>(Note 4)</i>
Mr. Hsu Tung Chi <i>(Note 1)</i>	Beneficial owner and interest of controlled corporation	387,235,782 (L)	19.17%
Ms. Zhang Jing <i>(Note 2)</i>	Beneficial owner and interest of controlled corporation	81,253,659 (L)	4.02%
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) <i>(Note 3)</i>	Beneficial owner and interest of controlled corporation	54,129,778 (L)	2.68%
Mr. Jiang Chao <i>(Note 4)</i>	Interest of spouse	78,670,000 (L)	3.89%

(L) denotes long position



Notes:

1. Mr. Hsu Tung Chi ("Mr. Hsu") beneficially owns 368,989,559 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 is 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 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. Cantrust (Far East) Trust Limited, the trustee of the GJ Family Trust, holds the entire issued share capital of Joint Power International Limited ("Joint Power"). Joint Power in turn holds 78,670,000 shares of the Company, representing approximately 3.89% of the issued ordinary share capital of the Company. The GJ Family Trust is a discretionary trust established by the wife of Mr. Jiang Chao ("Mr. Jiang") as the settlor, and the discretionary beneficiaries of which include Mr. Jiang's wife and his children. Accordingly, Mr. Jiang is deemed to be interested in the 78,670,000 shares of the Company held by Joint Power.
5. Based on 2,020,176,170 shares of the Company in issue as at 30 June 2020.

(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
				(Note 2)
Mr. Lai Kwok Fai, Franki (resigned on 13 March 2020) (Note 1)	Interest of controlled corporation	HK\$14,640,000	30,500,000 (L)	1.51%

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 2,020,176,170 shares of the Company in issue as at 30 June 2020.

(L) denotes long position

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.



SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) on 27 March 2013 pursuant to an ordinary resolution passed at a special general meeting and amended on 29 September 2014. On 16 November 2018, the Company granted share options to certain eligible participants to subscribe for a total of 140,000,000 ordinary shares of HK\$0.04 each in the share capital of the Company under the Scheme. Details of the movements in the number of share options during the period ended 30 June 2020 under the Scheme are as follows:

Categories of grantees	Outstanding	Granted	Exercised	Lapsed	Outstanding	Exercise	Grant	Exercisable
	as at 1 January 2020				at 30 June 2020			
Directors								
Mr. Hsu Tung Chi	16,000,000	-	-	-	16,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
Employees (1)	98,000,000	-	-	-	98,000,000	0.23	16/11/2018	16/11/2018 – 15/11/2021
	114,000,000	-	-	-	114,000,000			

Notes:

- (1) Employees of member of the Group (including nominees and/or trustees of any employee benefit trusts established for them) or associates as the Board determines.

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

So far as is known to the Directors, as at 30 June 2020, the following persons (not being a Director or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares 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 ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of shares interested	Approximate percentage or attributable percentage of shareholding (Note 4)
Ms. Chuang Meng Hua (Note 1)	Interest of a spouse	387,235,782 (L)	19.17%
Best Million Holdings Limited (Note 2)	Beneficial owner	119,976,405 (L)	5.94%
Ms. Ma Hsin-Ting (Note 2)	Interest of controlled corporation	119,976,405 (L)	5.94%
Ease Wing Limited (Note 3)	Beneficial owner	114,816,406 (L)	5.68%
Mr. Ho Chi Sing (Note 3)	Interest of controlled corporation	114,816,406 (L)	5.68%

(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 of the Company 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 of the Company. 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 of the Company. Under the SFO, Mr. Ho is deemed to be interested in 114,816,406 shares held by Ease Wing.
4. Based on 2,020,176,170 shares of the Company in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 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.

COMPETING INTERESTS

The Directors believe that none of the Directors nor the controlling shareholders (as defined in the GEM Listing Rules) of the Company nor any of their respective close associates had an interest in a business which competes or may compete with the business of the Group during the six months ended 30 June 2020.



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

During the six months ended 30 June 2020, the Company did not redeem any of its Shares and neither the Company nor any of its subsidiaries purchased, sold or redeemed interests in any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, the Company has confirmed the Directors' compliance with such code of conduct and the required standard of dealings regarding securities transactions during the six months ended 30 June 2020 and thereafter to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholder's interests.

To the best knowledge of the Directors, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") according to Appendix 15 of the GEM Listing Rules. The Company has applied the principles of the CG code. The Directors consider that during the six months ended 30 June 2020 and thereafter to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the CG Code.



PRE-EMPTIVE RIGHTS

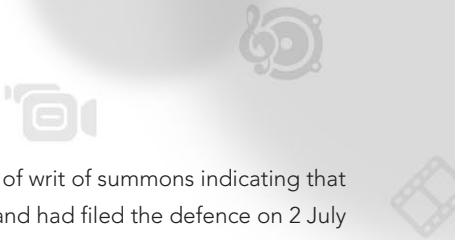
There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

COMPLIANCE WITH CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 30 June 2020, none of the Directors had an interest in a business (other than those businesses where the Director were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with businesses of the Group.

EVENTS AFTER REPORTING PERIOD

On 7 May 2020, the Company received a writ of summons with statement of claim dated 21 April 2020 (the "Claim Documents") issued in the Court of First Instance of the High Court of Hong Kong on 7 May 2020 by the solicitors acting for Hangzhou Liaison Interactive Information Technology Co., Ltd as the plaintiff (the "Plaintiff") against the Company as defendant. Based on the Claim Documents, the Plaintiff is seeking various reliefs against the Company for the restitution of benefit under a subscription agreement dated 8 February 2017 relating to convertible bonds in aggregate of HK\$412,500,000 issued by the Company during the year ended 31 December 2017 ("Subscription Agreement") in the sum of (i) HK\$372,843,493 on the ground of misrepresentation; or alternatively (ii) HK\$437,300,856 as a result of breach of the Subscription Agreement, the bond instrument (the "Instrument") dated 19 June 2017 and the terms and condition of the convertible bonds contained in the Instrument; or alternatively (iii) HK\$105,718,493 under certain clause of a supplement deed dated 16 May 2019 and related interest. For details of the case, please refer to the Company's announcements dated 5 June and 22 April 2020.



The Company filed an acknowledgment of service of writ of summons indicating that the Company intends to contest the proceedings and had filed the defence on 2 July 2020.

On 31 July 2020, the Company entered into three sets of subscription agreements with three different legal entities (collectively as, “Subscribers”) respectively, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 300,000,000 new Shares going to be issued by the Company to the Subscribers at the subscription price of HK\$0.046 per subscription share.

Saved as those disclosed above, there has been no other material events since 30 June 2020 to the date of this report.

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 2020, the Audit Committee comprises three members, Mr. Kwok Chi Sun, Vincent, Mr. Wong Tak Shing and Mr. Gou Yanlin, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Kwok Chi Sun, Vincent.



The Group's unaudited interim results for the six months ended 30 June 2020 has been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirement and that adequate disclosure has been made.

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

Hong Kong, 14 August 2020

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